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AGENDA
for the
EIGHTH MEETING
ALLIED COUNCIL FOR JAPAN

To be held in the Meiji Building, Tokyo
Wednesday, 26 June 1946 at 1000 Hours

- I APPROVAL OF THE VERBATIM MINUTES OF THE PREVIOUS MEETING
(One Session, Numbered 7a-617).
- II OFFICIAL MATTERS
1. Disposition of Government Property (SCAP, Inclosure 1).
 2. Integration of Repatriates into the National Life of Japan, (SCAP, Inclosure 2).
 3. Exports and Imports of Japan (USSR, Inclosure 3).
- III PROCEDURAL MATTERS
- None held over or submitted as items for this Agenda.

By Direction of the Chairman:

BONNER F. FELLERS
Colonel, G. S. C.
Secretary-General

3 Incls:
Agenda Item, 5a-529-3
Agenda Item, 6a-612-2
Agenda Item, 8a-626-1

21 June 1946

ALLIED COUNCIL FOR JAPAN
Proposed Discussion Agenda

- I AGENDA NO. 5a-529-3.
- II PROPOSED BY: THE SUPREME COMMANDER FOR THE ALLIED POWERS.
- III SUBJECT FOR DISCUSSION: Disposition of Government Property.
- IV DATE PROPOSED FOR DISCUSSION: Wednesday, 26 June 1946.
- V SCOPE OF INFORMATION DESIRED: Comments of the Council.
- VI SPECIFIC INFORMATION DESIRED ON PROGRESS TO DATE:
None requested by SCAP.
- VII REFERENCES:
1. Memorandum from the Supreme Commander for the Allied Powers C.L.O. No. 952 (2.1) subject: "Disposition of Government Property (LO 286)," dated 1 March 1946 (forwarded to Members prior to 29 May 1946).
 2. Memorandum from the Supreme Commander for the Allied Powers to the Chairman, Allied Council for Japan, subject: "Disposition of Government Property," dated 11 June 1946 (furnished Members during Meeting, 12 June 1946).
 3. Memorandum from Finance Division, Economic and Scientific Section, GEQ, SCAP, to Secretary-General, Allied Council for Japan, subject: "Disposition of Government Property," dated 11 June 1946 (furnished Members during Meeting, 12 June 1946).

Inclosure #1

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ALLIED COUNCIL FOR JAPAN
Proposed Discussion Agenda

- I AGENDA NO. 6a-612-2.
- II PROPOSED BY: THE SUPREME COMMANDER FOR THE ALLIED POWERS.
- III SUBJECT FOR DISCUSSION: Integration of Repatriates into the National Life of Japan.
- IV DATE PROPOSED FOR DISCUSSION: Wednesday, 26 June 1946.
- V SCOPE OF INFORMATION DESIRED: Advice of the Council.
- VI SPECIFIC INFORMATION DESIRED ON PROGRESS TO DATE:
None requested.
- VII REFERENCES: Memorandum from GHQ, SCAP, to ACJ, 5 June 1946, subject: "Integration of Repatriates into the National Life of Japan," (Inclosure A to Inclosure 5, Agenda 6a-612) and 2 inclosures:
1. Map showing Japanese to be repatriated as of 15 Sept 1945. (Furnished Members 7 June 1946.)
 2. Chart showing States of Repatriation as of 2 June 1946. (Inclosure B to Inclosure 5, Agenda 6a-612).

Inclosure #2

ALLIED COUNCIL FOR JAPAN
Proposed Discussion Agenda

- I AGENDA NO. 8a-626-1
- II PROPOSED BY: LIEUTENANT GENERAL KUZMA N. DEREVYANKO, Member for the Union of Soviet Socialist Republics.
- III SUBJECT FOR DISCUSSION: Exports and Imports of Japan.
- IV DATE PROPOSED FOR DISCUSSION: Wednesday, 26 June 1946.
- V SCOPE OF INFORMATION DESIRED: Basic principles which determine direction, character and volume of imports and exports of Japan. Plan of exports and imports for 1946 and its realization.
- VI SPECIFIC INFORMATION DESIRED ON PROGRESS TO DATE:
1. Plan of exports and imports of Japan for 1946. It is desirable to get acquainted with this plan with break-down to goods (including quantities and values) and to countries. Besides, it is desirable to get acquainted with the process of realization of this plan during five months.
 2. Method of valuation of goods and establishment of export and import prices.
 3. Methods of settlement of accounts for exports and imports.
 4. Participation of the Allied Powers in exports and imports of Japan.
 5. Whether there are export and import customs duties and if so what are the tariffs.
 6. Participation of foreign and Japanese tonnage in transportation of exports and imports. Average freight rates.
- VII REFERENCES: Various Memoranda of the General Headquarters, Supreme Commander for the Allied Powers regarding imports and exports.

Inclosure #3

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COPY NO. 12

VERBATIM MINUTES
of the
EIGHTH MEETING
ALLIED COUNCIL FOR JAPAN

Meiji Building, Tokyo, Wednesday, 26 June 1946 at 10:00 A. M.

MEMBERS PRESENT

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

Lieutenant General Chu Shih-Ming, 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

Colonel Bonner F. Fellers

Office of the Secretariat
Allied Council for Japan
28 June 1946

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THE CHAIRMAN: Gentlemen, shall we begin?

In the absence of objection, the minutes will be recorded as approved.

Under Procedural Matters, for the sake of the record I should mention that there was no summary of the minutes of the last meeting, which was a special meeting, and I would like to ask the Secretary-General to furnish the Members an explanation of the reason why there was no summary. COLONEL FELLERS?

COLONEL FELLERS: The Secretariat was unable to write a summary to which all the Members would agree fully. We made several attempts, and there was one item over which the Members reached an impasse, and I was unable to present a summary that suited all the Members. The item was the seven-point program of GENERAL DEREVYANKO. The other two Members agreed in principle to every detail of the program but did not agree to the program as a joint recommendation.

THE CHAIRMAN: Excuse me, COLONEL, this is a question of agreement among three Members.

COLONEL FELLERS: That is right. I beg your pardon. GENERAL DEREVYANKO was of the opinion that both in the meeting, the last meeting, and outside the meeting at a special conference the other two Members, the Member representing UK, Australia, New Zealand and India, and the Member for China had agreed to his program as a joint recommendation, and he was only willing that this appear in the summary as a joint recommendation. Consequently, we published no summary. The Secretariat then drafted a letter for the Chairman to submit to the Supreme Commander stating the views of each Member and also the points in which there was complete agreement. The views of the Member representing USSR were submitted to SCAP--the seven points, verbatim, as they had been proposed--and we preceded that program with the following: LIEUTENANT GENERAL DEREVYANKO submitted the following amendments to Japanese land reform which he suggested should be a joint proposal from the three Members.

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MR. BALL and MR. SHEN did not subscribe to the amendments as a joint proposal but readily agreed that they coincided exactly with the points on which they had previously agreed.

MR. BALL's program, ten points, was submitted with the following introduction: MR. BALL proposed the following amendments on changes to the Japanese Rural Land Reform of 15 March 1946, with which MR. SHEN was in complete agreement.

Then there was a third supplementary program submitted by LIEUTENANT GENERAL DEREVYANKO which represented his views, in which neither MR. BALL nor MR. SHEN concurred, except Number 2 proposal which was already contained in the Japanese Government program, and that was to effect the alienation and purchase into the Rural Land Reform of all lands belonging to the absentee landowners.

THE CHAIRMAN: The principal point is that the Supreme Commander has now received in full the views of each of the individual Members so that he is in no doubt as to how the Member for the Soviet Union feels on this subject, or what his recommendations are, and the Supreme Commander is in no doubt as to the recommendations made by MR. BALL, and the recommendations made by the Member for China.

Are there any other Procedural Matters? If not, we will come to the Official Matters on the Agenda. The first is the question of the Disposition of Government Property.

SOVIET INTERPRETER: The GENERAL would like to say a few words.

THE CHAIRMAN: We will just strike this out then.

(LIEUTENANT GENERAL DEREVYANKO addresses the Council in Russian.)

LIEUTENANT GENERAL DEREVYANKO (as interpreted): I had no difference of opinion with MR. BALL and MR. SHEN at the previous meeting of the Allied Council when the Rural Land Reform was discussed, and on the questions on which we had our common opinion, and there was no difference of opinion after the meeting of the

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Allied Council when the verbatim minutes were being prepared. As far as the verbatim minutes of the previous meeting are concerned, I have no remarks to offer, as I think that the verbatim minutes of the previous meeting fully and correctly represent all the questions that were discussed at the meeting of the Allied Council. That is why I am surprised that after two or three days some difference of opinion was detected between the summary and the minutes, and I can't understand why should there be any difference between verbatim minutes and the summary, and must we consider this as normal?

THE CHAIRMAN: I did not participate in the informal meeting of the Members in regard to this. I know that the Secretary-General prepared at least two different summaries. He prepared a summary in the usual form and submitted it to the Members. I approved it as far as I was concerned. Then later on he informed me that the other Members couldn't agree upon the wording of the summary, and he endeavored to re-draft it, and the same thing happened to the second summary. Can you throw any further light on the matter, COLONEL FELLERS? The minutes were agreed to, as I recall. All the Members agreed to the minutes, but when the question of the summary came around, the particular form of the summary, the recommendations, met with disagreement.

COLONEL FELLERS: Well, when you try to lift the summary out of the verbatim minutes and decide specifically what the joint proposal was, you can't find a joint proposal on which the three Members will agree.

THE CHAIRMAN: MR. BALL?

MR. BALL: Might I just give you the picture of the last meeting as I see it? The meeting began with--by MR. SHEN speaking of the ten-point program that I had put forward. MR. SHEN suggested two or three quite minor amendments which I readily accepted. That meant that MR. SHEN and I were in complete agree-

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ment on our ten-point program. The next thing that happened was that GENERAL DEREVYANKO made his statement. Now the statement made by GENERAL DEREVYANKO was not inconsistent--and I deliberately put that in the negative form, not inconsistent--at any point with the ten-point program on which MR. SHEN and I had agreed. On the other hand, there were certain omissions in GENERAL DEREVYANKO's proposal which meant that his statement would differ in atmosphere and tone, though not in content, from the proposals upon which MR. SHEN and I had agreed. For that reason, I felt, and I think MR. SHEN agreed with me, that it was better not to put forward a joint proposal in the sense of a joint document but rather to register our agreement on all of the major issues which until then had been discussed.

Then there was the third phase of the meeting, and in that third phase GENERAL DEREVYANKO put forth his supplementary proposals. In those supplementary proposals, he made three points with which MR. SHEN and I were unable to agree. One was in connection with whether any land should still be rented out to tenants. MR. SHEN and I had felt that it was desirable, for the time being at least, to allow a landlord to rent out up to one cho to tenants. Now GENERAL DEREVYANKO disagreed with that. The second point was the constitution of what I called the Land Acquisition Board. MR. SHEN and I had felt that it should be a representative board; the Chairman representing the Government, one representative of the landowner, one representative of the tenants. Now GENERAL DEREVYANKO wished that board to be constituted differently. The third point of difference was the method and rate of payment for the land that was to be transferred from landowners to the tenants. MR. SHEN and I felt that this land should be paid for at what were considered reasonable rates, whereas GENERAL DEREVYANKO had a kind of sliding scale of payment and under his scheme a landlord who owned a good deal of land would receive no payment at all for it, perhaps--I have forgotten the figures--for

the seventh, eighth, or ninth cho of land which he sold. Those are, if my memory is right, sir, the actual facts of the meeting, and I feel that on the one hand it is important for us to register the very large measure of agreement that all three of us were able to achieve. And on the other hand, it is important to remember that on these three particular points GENERAL DEREVYANKO had views with which it was not possible for MR. SHEN and I to concur.

THE CHAIRMAN: I think the point is certain that these differences, minor or major, made it impossible to draft a summary satisfactory to the three Members. In any case, the full recommendations in detail of each individual Member have gone forward to the Supreme Commander so that he knows exactly what each Member recommended, what the views of each Member on every one of the points discussed are. MR. SHEN, do you wish to add anything in this matter?

MR. SHEN: No.

LIEUTENANT GENERAL DEREVYANKO: I don't think it is necessary to discuss the question that was solved already at the previous meeting of the Council, and I am of the opinion that the summary of the meeting should fully correspond to the verbatim minutes of the meeting.

THE CHAIRMAN: Does the GENERAL feel that another effort should be made to draft a satisfactory summary?

LIEUTENANT GENERAL DEREVYANKO: It is not necessary to make a new summary, but rather to bring the old one into line with the verbatim minutes of the meeting.

MR. BALL: MR. CHAIRMAN, might I ask GENERAL DEREVYANKO whether he would agree with the account I gave of what actually happened at the last meeting?

LIEUTENANT GENERAL DEREVYANKO: Not quite, sir. You've mentioned some points today that weren't raised at the last meeting of the Council.

MR. BALL: Which points?

LIEUTENANT GENERAL DEREVIYANKO: I am of the opinion that it is not necessary to discuss these problems again.

THE CHAIRMAN: If I understand the GENERAL's desire correctly, it is that the summary which was prepared, or at least one of the drafts, be brought into line with the verbatim minutes. The only suggestion I might make is that the three Members meet again informally and try to work out the summary satisfactorily to all.

MR. BALL: One thing, MR. CHAIRMAN, I wonder would GENERAL CHU say whether he would agree with the account I gave of what actually happened at the last meeting.

LIEUTENANT GENERAL CHU: I would rather let MR. SHEN speak for himself.

THE CHAIRMAN: MR. SHEN?

LIEUTENANT GENERAL DEREVIYANKO: I have no objections to your proposal.

MR. SHEN: Yes, I quite agree with what MR. BALL has stated.

THE CHAIRMAN: We will leave it in the hands of the three Members, then.

Before taking up the question of Disposition of Government Property under Official Matters, I would like, for the sake of the record, to revert to the question of the Extension of Fishing Areas. It will be recalled that during the meeting at which this subject was discussed, the Members were in agreement in giving approval to the proposal as a temporary emergency measure not involving questions of high policy, and that subsequently the Member for USSR informed the Secretary-General that he felt he should withhold his preliminary approval pending the receipt from General Headquarters of certain information in regard to fishing ships which he had requested. Since then there has been a new development, and, as I say, in order to complete the record in this matter, I will read into the record a letter which the Soviet Member addressed to me

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under date of June 20th, 1946, and of which I received a translation in English on June 23rd. The translation reads as follows:

"Allied Council for Japan, Tokyo, Office of the Member for the Union of Soviet Socialist Republics to the President of the Allied Council for Japan, Ambassador Atcheson. Copies to the Member of the Allied Council for Japan from the United Kingdom, Australia, New Zealand and India, Mr. Ball; and to the Member of the Allied Council for Japan from China, Lieutenant General Chu Shih-Ming.

"Honorable Ambassador:

"This is to inform you of the following: At the last meeting of the Council, I stated as a preliminary opinion that I had no objections to temporary fishing and whaling rights for the Japanese within the proposed area.

"I have just received a directive from my Government in which it is opposed to the enlargement of the existing Japanese fishing areas, for the following reasons:

"1. The area now allotted to the Japanese more than fulfills the internal Japanese demands since, according to the records of the General Headquarters, the catch in that area guarantees from 30 to 40 kilograms of fish annually per person.

"The extension of fishing areas for Japan is directly concerned with the creation of a large ocean going fishing fleet. However, the size of the Japanese fishing fleet must be subject to discussion by the Allies and the Far Eastern Commission, which must determine the size of the postwar Japanese fleet.

"Respectfully, Member of the Allied Council for Japan from the U.S.S.R. K. N. DEREVIYANKO."

My reply dated June 24 is as follows:

"Allied Council for Japan, Tokyo, Office of the Member for the United States of America.

"Dear General Derevyanko:

"I have now, on 23 June, received an English translation of

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your letter in the Russian language dated 20 June 1946 in regard to the question of the extension of existing Japanese fishing areas which was discussed at the meeting of the Allied Council for Japan on 12 June.

"The Supreme Commander has been informed that, as stated in your letter, your Government is opposed to the temporary emergency extension of the areas in question. As you may have noted, a directive was issued to the Japanese Government under date of 22 June 1946 authorizing the proposed extension.

"As regards the question of the estimated catch mentioned in your letter, I should like to point out that the figure of three million metric tons was, of course, largely speculative and was based in part upon the circumstance that the bulk of the catch is always sardines. This estimate was also based upon the average catch obtained during pre-war years when the Japanese fishing fleet, equipment and facilities for handling fish ashore were in far better condition than they are today. If the sardine catch does not measure up to the estimated figure, the Japanese will be unable even to approach the total estimated tonnage. For the Japanese to realize this estimate it will be necessary for them to carry out with the utmost speed an extensive program of repair and rehabilitation of their fishing fleet and related facilities.

"I perceive no connection between the question of postwar size of the Japanese fishing fleet and this temporary emergency extension of fishing areas which will merely enable the Japanese to operate ships which could not otherwise be used in order to increase their food supply.

"As I mentioned during the meeting of the Council in question, the food situation in Japan requires urgent alleviation. The extension of the fishing areas is a step in that direction. The question is of special interest to the United States because of the current great drain on the United States food supply resulting from

the world-wide shortage and because also the United States is the only country sending food to Japan to alleviate conditions here.

"Very sincerely yours, George Atcheson, Jr., Chairman, Allied Council for Japan. Copies to Member for China, Member for British Commonwealth."

May I ask does GENERAL DEREVYANKO wish to make any comment in regard to this matter?

LIEUTENANT GENERAL DEREVYANKO: I haven't received a copy of this letter.

THE CHAIRMAN: I signed it yesterday morning. It was sent-- (after consultation with his secretary)--it was dispatched at 12 o'clock yesterday.

LIEUTENANT GENERAL DEREVYANKO: We haven't received it, sir.

THE CHAIRMAN: I am sorry it hasn't reached you. Does the GENERAL wish to make any comment in regard to this--

LIEUTENANT GENERAL DEREVYANKO: I expressed the opinion of my Government on this subject in the letter dated June 20th of this year addressed to the Chairman of the Allied Council, and I have no further comment to make.

THE CHAIRMAN: I wondered if the GENERAL would like to let us have some explanation of this particular attitude toward this question. I am sure that the Member for the USSR, as well as the other Members of the Council, are as eager as we are to see the food shortage in Japan alleviated, and this matter of extension of fishing areas was purely for the purpose of increasing the food supply. We are doing everything that we can to prevent as much as possible the starvation and the hunger that is facing a large portion of the Japanese people.

LIEUTENANT GENERAL DEREVYANKO: I can make no comments on the subject until I have received a copy of the letter mentioned by you, sir.

THE CHAIRMAN: MR. BALL, do you have any comment?

MR. BALL: No, I have already concurred in the proposal, MR. CHAIRMAN.

THE CHAIRMAN: GENERAL CHU?

LIEUTENANT GENERAL CHU: No, I have none. I have not received a copy of that letter either.

THE CHAIRMAN: I am sorry the letter hasn't reached GENERAL DEREVYANKO, or the copies the other Members. It was dispatched from my office at 12 o'clock yesterday.

MR. BALL: I haven't received it either.

THE CHAIRMAN: The first item of today's business under Official Matters is Disposition of Government Property, proposed by the Supreme Commander, who asks for the comments of the Council. This subject was held over from previous meetings, I believe, in order that Members might receive additional information which they requested. I will ask COMMANDER AKIN if he will kindly furnish what additional information it was that the Members wished. COMMANDER AKIN.

LIEUTENANT COMMANDER AKIN: The request for additional information reached me just yesterday, and as a result I have not been able to get specific answers from the Japanese. However, for the most part, we already had the memoranda in our files as a result of the reports they had furnished us previously. So if you wish, I would be glad to read the answers to the additional four questions into the record.

THE CHAIRMAN: Yes, please.

LIEUTENANT COMMANDER AKIN: The first question was a statement that the Japanese Government estimates that the income from the sales of Government property during the 1946-7 fiscal year will amount to 4.5 billion yen, and at the same time, they also state that it is impossible to estimate the market value prior to the actual sales transaction, and the question is: How is the above-mentioned amount arrived at? The actual Japanese estimated sales of Government

property amounted to four to five hundred million yen for this fiscal year. This estimate is based on the following suppositions:

a. That the proper administrative machinery can be set up to carry out a portion of the proposed disposition within the near future;

b. That the actual value of this property will have increased a certain percentage which, generally speaking, is in line with the average, overall price increases.

The Japanese have made no attempt to calculate the specific market value for each item which may possibly be disposed of this year.

The second question is: What kind of equipment is meant under the 40,282 machines intended for disposition? The types of equipment which the Japanese propose to sell vary considerably. According to their statements, such articles as sewing machines, medical equipment, wood-working machines, and miscellaneous capital goods are included among the 40,282 machines. It was stated however, that no items which have been declared subject to reparations by SCAP would be disposed of. The amount available for disposition--that is, not mentioned in the Supreme Commander's directives, has diminished appreciably since the original request was submitted by the Japanese. The end result may be closer to 20,000 machines or about 50% of what they originally had in mind.

The third question is: What were those enterprises which have been converted, producing during the war and what kind of enterprises it is desirable for the Japanese Government to convert?

The presently converted enterprises during the war were manufacturing all items connected with the Japanese war effort, such as munitions, ordnances, aircraft, instruments, and so on. These plants are now manufacturing the items needed for what they refer to as a minimum economy, and include such items as automobiles, meaning trucks, automobiles and truck parts, bicycles and bicycle parts,

electric motors, transformers, farm implements and tools, flour-milling machinery, pumps and valves, cloth, clothing and machinery for processing silk, small engines for fishing vessels, pots and pans and other kitchen utensils, medical instruments, electric heaters, and so forth. In addition to those items that are for the essential minimum economy, those items are manufactured that are needed to carry out the objectives of the Occupation.

The fourth question is: What is the exact number of vessels lost during the war and confiscated in the formerly occupied territories? The Japanese state that they have been unable to ascertain the exact number of Government vessels lost during the war or confiscated, primarily, because they have lost contact with former colonies and occupied territories since the termination of the war. At present, however, the Ministry of Transportation is investigating this matter, and the results should be available in the future.

THE CHAIRMAN: Thank you, COMMANDER AKIN. I should like to make it entirely clear that these proposals are proposals by the Japanese Government and not proposals by General Headquarters, and that the Supreme Commander is seeking the advice and comments of the Members of the Council in regard to them. Are there any other questions that the Members would like to ask COMMANDER AKIN?

LIEUTENANT GENERAL DEREVYANKO: I must say that the answer to the first question must be considered unsatisfactory as it is based only on suppositions. As far as the answer to the third question is concerned, I would like, if possible, to have full and detailed information in a written form.

LIEUTENANT COMMANDER AKIN: The matter of conversion of these factories is handled on the Army level. Now to what extent they have information in the industrial section, I don't know. I mean it is not a thing that I myself am particularly familiar with.

THE CHAIRMAN: GENERAL CHU, do you have any comment you wish

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to make?

LIEUTENANT GENERAL CHU: Yes, I have a few words to say in regard to the entire problem. In our opinion, disposition by the Japanese Government of certain Government properties may be permitted provided the following points are considered. Among the Government properties listed, five items, namely, land, trees and bamboo, buildings, constructions and mining rights have little to do with reparation and may therefore be disposed of. But items like machinery and equipment and vessels which belong to reparation objectives should be left in abeyance pending the decision of an overall reparation plan. In the supplementary information submitted by the Japanese Government it is stated that the Japanese Government does not intend to dispose of major items such as large war craft or Army and Navy arsenals, but that only minor articles, useless for reparations, are to be put up for sale. However, it is doubtful at this stage whether such classification on the part of the Japanese Government will be in accord with the reparation plan. I would like to suggest that this point be examined thoroughly by GHQ before we give the permission.

The second point I would like to bring up is this: Under the item of investment there are shares of corporations which engaged in economic aggression in China--such as the South Manchurian Railway Company, Ltd., North China Development Company, Ltd., Central China Development Company, Ltd., and Bank of Taiwan, etc. It seems that such stocks, too, should be disposed of only after the reparations plans have been definitely decided.

A third point I would like to bring up is the Japanese proposal to sell potential agriculture land in accordance with the Rural Land Reform, the main objective of which is to order land-owners to sell their surplus lands in order to improve the status of tenant farmers. The Japanese further state that Government land is not under cultivation, for the most part. It seems to us

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advisable to give priority and facility of buying these uncultivated lands to Japanese repatriates who now constitute a serious and difficult problem. And finally, I should like to be informed of the attitude of the Japanese Government toward the property of war criminals.

THE CHAIRMAN: Thank you very much, GENERAL CHU. It is very helpful, indeed, to have specific recommendations and comments. One point; as regards the question of machinery, my understanding is that about half of it will not possibly fall within the purview of reparations. Would you object to the disposal of such machinery -- is it your recommendation that the entire question of sale of machinery be postponed? I think the Japanese Government will raise some question of deterioration.

LIEUTENANT GENERAL CHU: What machinery?

THE CHAIRMAN: Can you answer that?

LIEUTENANT COMMANDER AKIN: Yes, one of the reasons that they are anxious to sell this machinery is the fact that it is not being used. It is deteriorating due to non-use and lack of personnel to properly care for it.

LIEUTENANT GENERAL CHU: That situation is true of all machinery in this country now, isn't it?

LIEUTENANT COMMANDER AKIN: Right, to a certain extent unless it is actually being used for productive work.

LIEUTENANT GENERAL CHU: My point is that we ought to make sure that they are not to be included in the reparation category before we give them permission to sell them.

THE CHAIRMAN: Thank you, GENERAL. MR. MINISTER?

MR. BALL: Well, MR. CHAIRMAN, I have already at the last meeting expressed my concurrence with the general principles of this Japanese Government proposal. I also mentioned that certain safeguards should be made. Perhaps I might repeat that one was that any part of this plan should be subject to the reparations program and

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the other was that any land it is proposed to sell, that such sales should be subject to the provisions of Rural Land Reform that are adopted. It seemed to me that both those points were looked after pretty satisfactorily in the staff study that you provided us with at the last meeting.

THE CHAIRMAN: Then otherwise you have no objections to the Japanese Government's proposal?

MR. BALL: No.

THE CHAIRMAN: GENERAL DEREVYANKO?

(LIEUTENANT GENERAL DEREVYANKO addresses the Council in Russian.)

LIEUTENANT GENERAL DEREVYANKO (as interpreted): Having studied the contents of two memoranda addressed to the Chairman of the Allied Council and the Secretary-General, I have considered that they do not give a clear answer to all the questions contained in them. On the one hand, there are items which are not clarified enough, and on the other, some explanations are quite unconvincing.

In particular, it is impossible to consider as satisfactory the explanation given by the Japanese Government concerning the proposal to allocate certain land as "factory compounds" (Memorandum to the Secretary-General, paragraph 5). Again, I cannot accept this explanation in that part which says about the eventual stimulation of small businesses, for it is clear that after exemption of equipment under the reparations, there will be a sufficient quantity of factory compounds and buildings suitable for this purpose in Japan.

The explanation of the Japanese Government in which it says that it desires to get rid of a certain part of equipment which became useless because of deterioration, damage or misuse, is also unsatisfactory. (Memorandum to the CHAIRMAN, Allied Council, paragraph 7).

I think that the Japanese Government is responsible for the preservation of equipment owned by the State and that those private

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companies which used the Government property and put it out of order should restore it at their own expense.

I shall make the following recommendations:

1. Not to object to the disposal of such property belonging to the Japanese Government as lumber and bamboo, dwellings and other constructions which might be used to render help to the needy population.

2. As far as all the Government land is concerned, it would be advisable to include it in the general land reserve fund of the Rural Land Reform and dispose of it either free of charge or at the book value of these lands among the most needy farmers who have no land or little of it, and who personally operate it.

3. The solution of the problem of the disposal of such Government property as machinery, vessels and Government investments and shares, should be postponed until the general decision has been reached concerning the question of the Japanese Navy and Merchant Marine as well as the solution of the problem of the Japanese reparations and the general economic potential of Japan.

4. To permit the Japanese Government the independent disposition only of the property value not higher than ¥200,000. The property valued at higher than ¥200,000 should be disposed of only with the approval and sanction of the General Headquarters, Supreme Commander for the Allied Powers.

5. To completely exclude Zaibatsu and restricted companies from the number of possible purchasers of Government property.

6. To prohibit the purchase of the Government property by means of blocked accounts, loan bonds, and other securities in order to exclude any possibility of disguised compensation of certain companies by the Government.

7. To direct the Japanese Government to put into working condition all the deteriorated equipment, to consider it necessary that the private concerns which misused the Government property

should restore it at their own expense.

THE CHAIRMAN: Thank you very much indeed, GENERAL. We have heard a number of recommendations and comments which I am sure will be very valuable in coming to a decision in this matter. Am I correct now, in assuming that we may consider that the Members have made their recommendations and that we have disposed of this matter as a subject on the Agenda?

LIEUTENANT GENERAL DEREVYANKO: Yes, sir.

THE CHAIRMAN: Then we can proceed to the next item under Official Matters, Number two, "Integration of Repatriates into the National Life of Japan." This was proposed by the Supreme Commander for discussion at the last regular meeting on June 12th. It was held over for this meeting because of one of the Member's wishes to have information as to the size and category, of the repatriates with which we are principally concerned. There are of course, a great many aspects to this matter, and since our last meeting, one important phase which we have not previously considered has been brought to the fore. As the Members are probably aware, the Supreme Commander is under instructions to utilize all available shipping for repatriation purposes and, as all of the Powers have not made available to him Japanese ships acquired by their forces, he has found it necessary to obtain from the United States Government some 100 Liberty ships and 85 LSTs (that is a landing ship for tanks) to augment Japanese shipping in order to keep the program moving. The Soviet Member has recently raised with the Supreme Commander the question of the allocation among the Allies of Japanese naval vessels now in use for repatriation purposes and this in turn raises the question of the fulfillment of the repatriation program with respect to Japanese captured or detained by the Soviet forces--those are Japanese whose number and whereabouts are unknown to General Headquarters.

Now, in order to keep the horse before the cart, we might first give consideration to this aspect of the general problem of repatriation.

By way of general background, you will recall that in the Potsdam Declaration it is provided inter alia that:

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

The Supreme Commander at the outset was not only empowered but was charged to take all and any steps necessary to implement the Terms of Surrender from the moment of Japanese capitulation. In the light of his authority and responsibilities, the repatriation program for Japanese abroad was set in motion in September of last year. Excellent progress has been made in carrying out the program and since its inception Japanese have been brought back in large numbers and have been returned to their homes. The Allied authorities of China and of the British Commonwealth have offered prompt and full cooperation to the Supreme Commander in the implementation of the Terms of Surrender which I have quoted.

During the period October 1945 to June 1946, repatriation of Japanese from areas under control of the United States, Great Britain, China, and Soviet Russia have been accomplished in the following percentages according to recent available figures:

1. United States-controlled areas	93%
2. British-controlled areas	68%
3. Chinese-controlled areas, exclusive of Manchuria	94%
4. Soviet-controlled areas	0%

As regards the China program, I might add that it is expected to be completed by July 4, due to the excellent cooperation of the Chinese authorities. Just seven and one-half months after its inception. And 10% of the Manchurian program which has just started, has been completed.

In addition, large numbers of Japanese repatriates who illegally crossed the 38° parallel to Southern Korea have been evacuated from ports in Southern Korea to Japan.

The question of repatriation of Japanese captured and detained by Soviet forces has been brought to the attention of the Supreme Commander by the Japanese Government on several occasions. Inquiries in regard to individual Japanese have also been received in literally hundreds of letters from friends and relatives of Japanese as yet unheard of who, before the close of the war, were in areas

controlled by the Soviet Army. This natural apprehension on the part of a large number of Japanese is a disquieting factor which, if possible, should, of course, be alleviated.

I submit the opinion that the applicable Terms of Surrender should be carried out voluntarily by all of the Allied authorities as promptly as is practicable. From the point of view of Allied unity alone, I should not wish to see any of the Terms of Surrender unilaterally abrogated or disregarded. It is obvious that if the same nature of full cooperation is not received from all of the Allied authorities in this matter, there will arise the possibility of misunderstanding among us as well as continued widespread apprehension among the Japanese people. I should like to ask the Soviet Member for any comment which he might care to make in regard to this particular phase of the repatriation problem.

MR. BALL: In this interval, MR. CHAIRMAN, may I just mention in passing, that the British controlled areas are on the whole, a good deal further from Japan than the American areas. That would increase the shipping difficulties.

THE CHAIRMAN: Excellent progress has been made in repatriation from those areas.

(LIEUTENANT GENERAL DEREVYANKO addresses the Council in Russian.)

LIEUTENANT GENERAL DEREVYANKO (as interpreted): As far as I understand it, on the Agenda of the Allied Council today, there is a question of the integration of the repatriates into the National Life of Japan, but not the problem of repatriation in general, and I am of the opinion that the consideration of this problem and the solution of this problem are not within the cognizance of the Allied Council for Japan.

As I said at the previous meeting of the Council, when this question was being discussed, it is difficult to form an opinion and to make a recommendation because the Japanese Government has not submitted any program for the integration of repatriates into

the national life of Japan and at present, we haven't got any such program and therefore, I am unable to formulate my opinion.

THE CHAIRMAN: If I may go back to the Soviet Member's--

SOVIET INTERPRETER: I am sorry, sir, the GENERAL hasn't finished yet.

THE CHAIRMAN: Oh.

LIEUTENANT GENERAL DEREVYANKO: I have already reported about your inquiry to Moscow, MR. CHAIRMAN, but I think that the discussion of this question--and I repeat this--is not within the cognizance of the Allied Council.

I am also of the opinion that it would be very good if the General Headquarters of the Supreme Commander expedited the furnishing of ships for the purpose of repatriation of the Japanese subjects from North Korea to Japan.

THE CHAIRMAN: Of course, the question of the integration into the national life and rehabilitations of Japanese repatriates from Soviet controlled Russia, is part of our general problem of integration and rehabilitation of Japanese repatriates. As far as the question of the purview of this Council is concerned, the Terms of Reference provide that the Council was established "for the purpose of consulting with and advising the Supreme Commander in regard to the implementation of the Terms of Surrender, Occupation and Control of Japan." As I mentioned in my introductory remarks, the Potsdam Declaration provides that the Japanese military forces after being completely disarmed shall be permitted to return to their homes with the opportunity "to lead peaceful and productive lives." That is one of the Terms of Surrender, and the Council is established to consult with and advise the Supreme Commander in regard to the implementation of the Terms of Surrender, so I think it is entirely clear that this question properly falls within the purview of discussion of this Council.

LIEUTENANT GENERAL DEREVYANKO: But on the Agenda of today's

meeting, we haven't got the question of repatriation in general, but the integration of repatriates into the national life of Japan, but not the question of repatriation of the Japanese from Soviet territories.

THE CHAIRMAN: This particular phase of the question as I have endeavored to explain, arose from representations to the Supreme Commander made by the Soviet Member in regard to the question of the allocation of Japanese vessels being used for repatriation. And that question of the allocation of ships cannot very well be considered until we have information in regard to the number, and the plans for the repatriation of, Japanese captured or detained by Soviet forces in areas controlled by those forces or now controlled by them. And I might add also, that the Members of the Council, I think, have quite consistently requested, in regard to any of the questions that we have had, the fullest information that there is, in regard to it.

LIEUTENANT GENERAL DEREVYANKO: The question of allocation of ships was raised in connection with the repatriation of the Japanese from Northern Korea and the number of the Japanese in Northern Korea is very well and exactly known to me as well as to MR. CHAIRMAN.

THE CHAIRMAN: My understanding--

LIEUTENANT GENERAL DEREVYANKO: And the negotiations on the subject have already begun.

THE CHAIRMAN: My understanding is that negotiations in regard to the question of repatriation from Northern Korea is proceeding at the present time. The question of the allocation of ships, according to my understanding, was raised by the GENERAL some time ago apart from the Korean question.

SOVIET INTERPRETER: Yes. The GENERAL repeats that the problem of allocation of ships was raised in connection with the repatriation of the Japanese from Northern Korea.

THE CHAIRMAN: From Northern Korea. That wasn't mentioned in his letters. Mr. Interpreter, I think probably the GENERAL has--

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he is thinking of the question of the allocation of ships for repatriation from Korea. I am speaking of the question he raised in regard to the ultimate disposition and distribution among the Allies of Japanese vessels.

SOVIET INTERPRETER: The GENERAL says that that is another question, sir.

THE CHAIRMAN: MR. BALL, do you have any comments you wish to offer?

MR. BALL: On what particular point, MR. CHAIRMAN?

THE CHAIRMAN: On the matter that we have been discussing.

MR. BALL: On the general question. Well, MR. CHAIRMAN, I think I can only repeat--

THE CHAIRMAN: No, I would say on this particular phase of the general question.

MR. BALL: Oh, no, this is a phase of the general question on which I am quite uninformed.

THE CHAIRMAN: GENERAL CHU?

LIEUTENANT GENERAL CHU: Yes, I don't know whether I understand my honorable colleague from the Soviet Union or not, but I am unable to agree with him that this question is not within the province of the Allied Council, but I do agree with him that the Japanese Government should be requested to furnish a detailed program with regard to repatriation.

THE CHAIRMAN: That is, with regard to rehabilitation and repatriation.

LIEUTENANT GENERAL CHU: Yes. And in this connection, I might also say that since the CHAIRMAN has mentioned that 94% of the Japanese in China have been repatriated, I am also happy to report that during all this process of repatriation, there was not a single major unpleasant incident, nor the loss of a single life, and I think most Japanese repatriates are now fully saturated with a deep sense of repentance as regards their former behavior in China.

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But that does not mean that we should relax our observation of their future conduct in this country and I suggest that SCAP, through proper agencies, keep constant watch over them.

THE CHAIRMAN: I quite agree with you, GENERAL. General Headquarters has every intention of course, of continuing its surveillance of the activities of these people, and keeping the situation in hand. This subject as I have mentioned, was held over at the request of one of the Members who desired further information. I believe MR. BALL, that you had some questions in regard to what type, what the minority was that required attention and how many repatriates were returned to their own communities, more or less automatically integrated into their communal life or national life, whether they were white collar workers, what type of people they were. There has been a rather strenuous effort put forth to obtain specific information to answer your inquiries, but due to the situation, it has been impossible to provide information, or obtain information of that sort. There is no way to obtain statistics of that kind. You will realize I think, that a large proportion of the Japanese Army were reservists--that is, men taken from civilian life and we would have to take a cross-section of civilian life in order to determine their various occupations. They are just as any conscript Army: farmers, clerks, mechanics, streetcar conductors, manufacturers.

MR. BALL: What I had in mind was this, MR. CHAIRMAN. You asked the Council's advice on the question of re-integrating these repatriates into the economic life of Japan and you mentioned there were six million people involved, but that about three million had already returned, and you went on to say that of these three million, the majority had returned to their homes in the country where they could be pretty easily absorbed into the household economy; and I put it to you that it was hardly possible for the Members of the Council to put up any plan for the integration of the repatriates

who remained unless we knew two things, (1) How many people were involved, and (2) The kind of people they were. You can't put up a plan that is worth anything unless you know how many people you are planning for and what kind of people you are planning for. We are all very anxious, I am sure, to give any kind of help on this particular question, but in the absence of this basic information, I don't see how any plan we could put forward would be anything more than a guess or a wild kind of speculation.

THE CHAIRMAN: It seems to me that statistics are not necessary for Members of the Council to offer suggestions as to what kind of program the Japanese Government might adopt to look after repatriates. You know in general what the problem is; you know you have large numbers of people coming back who are not readily reintegrated into their normal life, not readily rehabilitated. You know that they consist of men from all walks of life, all professions and trades. It is a question not of statistics, but what kind of program should be adopted to try to get them back into the national life. It is, I think, a serious question as mentioned in the Chief of Staff's letter, which states "in order that they may be self-supporting and the danger precluded that as under-privileged or discontented elements or problems, they may become a menace to the objects of the occupations..."

MR. BALL: I think the fact is, that there is a world of difference between a plan you might work out to absorb three million people and a plan you might work out to absorb three hundred thousand people. You might find out that three hundred thousand people could be readily absorbed into private industry, whereas, if you have to absorb three million, then some very far-reaching public works plan will be necessary. I think that without some kind of indication from you as to the number of people to be absorbed and the kind of professions or trades that they want to engage in, it would be very hard to plan. It would be quite easy

to indicate a general principle in trying to work out a plan. That is very different from the plan itself. So far as the general principles are concerned, I suppose we would all agree on certain general rules. My opinion is that no distinction should be made between repatriates, war veterans, and displaced persons. I think psychologically it would be a great mistake to build such a distinction, because it might tend to foster sympathy for these unfortunate soldiers. We would not want these soldiers wandering about the streets mumbling about the good old days in the Army. That would be the first principle. The second principle, I should say, would be to find out which particular industries are bottle-neck industries at the present time. It might be found out for example, that the production of coal is very essential, if a number of other industries are to work satisfactorily. Then you would make a survey of the returned repatriates and find out how many of them were skilled coal miners and could put them into mining coal. In doing that you would be creating not only employment for them, but commensurate employment for other trades or industries who depend on coal. You would then tend to supplement the kind of employment given in private industries by this public works program which I think the Japanese Government has in mind at the present time. But these considerations, MR. CHAIRMAN, are very general ones. They are just a general rule that any intelligent layman would adopt in trying to work out a plan. So far as the plan itself goes, I don't think we can give any kind of concrete or helpful advice without the kind of information I mentioned.

THE CHAIRMAN: You are mentioning general plans and how many coal miners are needed, etc. A very general way to put it. What I would hope to narrow it down to, is to get a specific recommendation from you, that ex-soldiers who are coal miners should be given employment and a plan worked out to learn where they are

most needed to give them employment, and to transport them to the place of employment.

MR. BALL: Oh, you can't expect us to be able to do that. Really!

THE CHAIRMAN: I think we can, certainly. We could sit down and think up just off hand a number of things the Japanese Government might do. For example, the repatriates might be sent to night schools similar to what we have in the United States for the Americanization of immigrants. There could be employment offices set up at ports of debarkation, which would look into the particular qualifications of the repatriates, the skills of the ex-soldiers, and as you suggested, send to the coal mines those who know what to do there. That is what I am hoping to get, some definite recommendation from the Members of the Council--

MR. BALL: That is the first point, then--

THE CHAIRMAN: --that a program of that kind be established.

MR. BALL: That is a very important point, sir. Has the Japanese Government got information about the vocational training of the repatriates?

THE CHAIRMAN: I would say that is what we might want to suggest to the Japanese Government, that they get busy and when these people come home, find out what their trades and professions are, what their capacities are, what their skills are, and endeavor by setting up employment offices or other agencies, by some procedure, to get them back into the national economy. It was in the hopes that the Members of the Council would make specific, affirmative recommendations along such lines that the Supreme Commander placed this concrete question on the Agenda. As regards the relationship of this concrete problem to the general question, I might return to the remark I think I made before, that if any Member of the Council wishes to bring before the Council the general question of displaced persons or war refugees or war

sufferers or repatriates of all kinds, we can of course, discuss it, but here we have placed before us a specific, concrete problem by the Supreme Commander--

MR. BALL: Without any specific or concrete information to work on.

THE CHAIRMAN: On which he has requested the advice of the Members of the Council. Looking back at some of our meetings in the past, I recall that there were rather persistent complaints that the Council was not being given any work to do and was being ignored. Certainly, by the Terms of Reference, the Council is to give advice to the Supreme Commander and he consults the Council and seeks their advice. This is an important matter and he is seeking the Members' advice. We have had it before the Council twice--

MR. BALL: Would you agree, MR. CHAIRMAN--

THE CHAIRMAN: --and I would earnestly request that the Members of the Council give some concrete and helpful suggestions because this is a problem, I think we must realize, with which General Headquarters is being constantly confronted. It is a very serious problem and worthy of the Council's consideration.

MR. BALL: Well, will you agree, MR. CHAIRMAN, that what you are saying is that there are somewhere between one million and six million repatriates. You don't know how many, you don't know what kind of people, you don't know with what kind of training. But on the basis of that information, you feel the Members of the Council should be able to provide you with a blue print, very exact, very specific, as to how these people should be integrated into the national life of Japan. And that we should be able to do it within a few days.

THE CHAIRMAN: Not at all, sir. I would say that the Members of the Council might be able to make a specific recommendation, say just for the sake of discussion, that the Japanese Government might

set up employment offices at debarkation points to find out what the repatriate's skills are, what his capacities are, whether he has had any training, such as electrical in the signal corps or something of the sort, and then endeavor to find a place for him and send him to that job.

MR. BALL: Well, sir, I think--

THE CHAIRMAN: In other words, is it the recommendation of the Members of the Council that we do nothing about this or is it the recommendation of the Members of the Council that we suggest to the Japanese Government that a definite program be worked out along certain lines to accomplish certain things? That is, to find out what the capacities of the repatriates are, whether or not they can be used in some particular industry or firm, or whether they are willing to go there and work there.

MR. BALL: Well, sir, I had been hoping that we might be able to get some more information at this meeting. Since we can't, I would personally be very glad to try to work out something like you have in mind and present it at the next meeting.

THE CHAIRMAN: As far as the general information is concerned, we have repatriates from an army which was made up of reservists as well as professional soldiers. The question is whether the Members think a program should be instituted, or whether they think nothing should be done. If they think a program should be instituted, I may say quite frankly that I believe that the Members of the Council should be able to make a suggestion along that line.

MR. BALL: We shall do our best at the next meeting.

THE CHAIRMAN: GENERAL CHU?

LIEUTENANT GENERAL CHU: Well, I think the point MR. BALL took about not making any distinction between ex-soldiers and other displaced persons, was very well taken, only in practice I am afraid you will find more bad soldiers than bad civilians, particularly the Japanese in my country.

THE CHAIRMAN: Does the Soviet Member have any comments he wishes to make at this time?

LIEUTENANT GENERAL DEREVYANKO: I can't formulate my opinion on the subject until the program from the Japanese Government has been received.

THE CHAIRMAN: There is no program--the Japanese Government has not yet been asked to make a program or to devise one. One of the questions before us is, should the Japanese Government be directed to develop a program.

LIEUTENANT GENERAL DEREVYANKO: I feel that is the task of the Japanese Government.

THE CHAIRMAN: Yes, but the question is, should the Japanese Government be requested to do this--develop a program--or should it not? That is one of the questions before us.

LIEUTENANT GENERAL DEREVYANKO: I think that the Japanese Government should make the program.

THE CHAIRMAN: Thank you very much, GENERAL. I am very glad indeed, to have a specific, affirmative recommendation. We will then adopt MR. BALL's suggestion and hold the subject over until the next meeting.

The next item on the Agenda, Exports and Imports of Japan, was placed on the Agenda by the Member for the U.S.S.R. This will probably be a lengthy subject. It is now a quarter of twelve. Would the Members prefer to adjourn until this afternoon?

MR. BALL: I am quite agreeable, sir.

LIEUTENANT GENERAL DEREVYANKO: I think we had better discuss the subject.

THE CHAIRMAN: You would rather continue with it now?

LIEUTENANT GENERAL DEREVYANKO: Yes.

THE CHAIRMAN: GENERAL CHU?

LIEUTENANT GENERAL CHU: All right.

THE CHAIRMAN: The scope of information desired: Basic principles which determine direction, character and volume of imports

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and exports of Japan. Plan of exports and imports for 1946 and its realization.

Under Specific Information, there is the following:

1. Plan of exports and imports of Japan for 1946. It is desirable to get acquainted with this plan with break-down to goods (including quantities and values) and to countries. Besides, it is desirable to get acquainted with the process of realization of this plan during the past five months.

2. Method of valuation of goods and establishment of export and import prices.

3. Methods of settlement of accounts for exports and imports.

4. Participation of the Allied Powers in exports and imports of Japan.

5. Whether there are export and import customs duties and if so what are the tariffs.

6. Participation of foreign and Japanese tonnage in transportation of exports and imports. Average freight rates.

By way of general background interest, it is appropriate to introduce this subject, I think, by recalling early basic policy decisions in regard to the general question of Japanese trade which were formulated as early as September 1945. Among these pertinent statements of policy may be quoted the following:

1. "The policies of Japan have brought down upon the people great economic destruction and confronted them with the prospect of economic difficulty and suffering. The plight of Japan is the direct outcome of its own behavior, and the Allies will not undertake the burden of repairing the damage. It can be repaired only if the Japanese people renounce all military aims and apply themselves diligently and with single purpose to the ways of peaceful living. It will be necessary for them to undertake physical reconstruction, deeply to reform the nature--

SOVIET INTERPRETER: Would you mind reading a little slower?

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THE CHAIRMAN: Yes, surely. Do you wish me to go back over it?

SOVIET INTERPRETER: Just a little slower, that is all, sir.

THE CHAIRMAN: Well, -- (rereads from paragraph 1.) --and direction of their economic activities and institutions and to find useful employment for their people along lines adapted to and devoted to peace. The Allies have no intention of imposing conditions which would prevent the accomplishment of these tasks in due time.

2. "The Japanese people shall be afforded opportunity to develop for themselves an economy which will permit the peacetime requirements of the population to be met.

3. "Japan shall be permitted eventually to resume normal trade relations with the rest of the world. During occupation and under suitable control, Japan will be permitted to purchase from foreign countries raw materials and other goods that it may need for peaceful purposes, and to export goods to pay for approved imports.

"Control is to be maintained over all imports and exports of goods, and foreign exchange and financial transactions. Both the policies followed in the exercise of these controls and their actual administration shall be subject to the approval and supervision of the Supreme Commander in order to make sure that they are not contrary to the policies of the occupying authorities, and in particular that all foreign purchasing power that Japan may acquire is utilized only for essential needs."

I may add that in implementing policy the Supreme Commander has been careful to guide the resumption of Japan's post-war trade at a pace which would insure careful analysis and complete justification of every transaction.

Now, as the Member for the USSR has placed this subject on the Agenda, would he like to make some supplementary or introductory remarks in regard to it?

LIEUTENANT GENERAL DEREVYANKO: I have no comments to make. I

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would like to have the questions on the Agenda answered, if possible.

THE CHAIRMAN: I should like to introduce MR. FLEMING, Chief of the Import and Export Division of the Economic and Scientific Section of General Headquarters, who will be glad to furnish the Members the information requested. MR. FLEMING.

MR. FLEMING: MR. CHAIRMAN, I have prepared here, a comparatively brief statement, which I believe will answer the questions as nearly as we can do, and with your permission, I will either read in part of this, or all of it, as you please. The imports are--

THE CHAIRMAN: Let's see. This is the first question.

MR. FLEMING: I think it is the plan of Exports and Imports.

In attempting to refer to Question 1, imports are affected only when they fall within the minimum essential requirements needed to prevent famine and disease or when raw materials are urgently needed to manufacture goods for export or to produce materials for the occupational forces.

In lieu of Japanese credits abroad, the War Department has financed and directed the initial procurement of food, fertilizer, petroleum products, and several minor quantities of miscellaneous items.

Available exports are programmed in ratio to Japan's pre-war trading pattern. The exceptions to this policy are (a) exports which are in world short supply and have been allocated by a combined committee in Washington to countries which have stated requirements and are able to purchase their allotment on terms agreeable to the supplying nations; (b) exports which are directly bartered for essential imports.

From the beginning of the Occupation through the 31st of May, 1946, Japan's foreign trade statement in estimated dollar value is as follows:

With the British Commonwealth, exports have amounted to \$1,026,272.00. Imports from the British Commonwealth, \$55,104.00.

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To China, we have exported \$766,368.00. If you will permit me, I will just round the figures out. Will that be permissible?

(THE CHAIRMAN nods assent.)

MR. FLEMING: But China has imported to Japan, \$1,643,724. To Korea, we have exported \$7,802,206, and imported \$36,143.00. To the U.S.S.R., we have exported \$23,000.00; imports, none. To the United States, we have exported \$41,858,800.00 and have imported from the United States \$26,110,882.00.

May I correct that? The British Commonwealth, \$1,026,000.00 were the exports. A little careless in handling.

MR. BALL: I can't remember the figures anyway--so it doesn't matter--so don't worry about it.

MR. FLEMING: There have been a total of exports of \$51,477,457 and of imports of \$27,845,854.

There is a favorable foreign trade balance amounting to \$23,631,602.00. In other words, Japan has exported twenty-three million dollars more than it has imported.

The exports consist mainly of raw silk, coal, mining supplies and equipment, mulberry seedlings, silkworm eggs, and miscellaneous light manufactures. The principal imports have been food, medical supplies, phosphate rock, petroleum products and salt.

In all cases it is expected that exports will be paid for either in stable currencies or equivalent values of required materials. There is no exception to the policy that all exports must be paid for and the proceeds will be used to purchase essential imports.

Under Question 2, the evaluation of goods so that fair prices may be applied to all exports and imports consists primarily of continuous analysis of world market prices. This problem is under study, but no definite criterion has yet been established.

Under Question 3, to date, it has been possible to conduct a limited foreign trade through an open account procedure with former Japanese trading areas in order to gain essential imports. The methods and date for settlement of foreign trade accounts have been under consideration for many weeks and as soon as definite arrangements have been agreed upon by each nation concerned, the exact procedure covering these transactions will be available.

Under Question 4, it fell upon the United States Government to take the initiative in providing the Japanese with needed materials and disposing of Japanese exports to pay for such materials. This has been done through a United States agency called the United States Commercial Company in respect to trade with the United States.

(To THE CHAIRMAN): Too fast?

THE CHAIRMAN: No, that's all right.

MR. FLEMING: Our Allies are increasingly participating in this trade. The explanation of the trade figures for various countries is quite simple. We have brought into Japan urgently needed materials from countries where those materials were available and where the sale of Japanese exports in payment could be effected. There has been no discrimination practiced toward any Allied Nation in this policy.

5. No customs duty is being collected by the Japanese on imports or exports. On certain petroleum products a small charge or tax has been added for the sole purpose of bringing the price of the import in line with the existing official prices. This was done as a temporary measure for expediency only and it is not intended that it will continue.

6. Japanese shipping (including a few American bottoms manned by Japanese crews) is being used exclusively for trade between Japan and the Asiatic areas. When convenient, this shipping is used also to move excess U.S. Army subsistence items to Japan from Allied occupied Pacific Island areas. All Japanese tonnage operates as

directed by the Central Authority for the Japanese Merchant Marine.

To the present, American ships allocated by the U.S. Army or the War Shipping Administration have been used for all other trade with Japan. This is not necessarily a policy of SCAP. These ships have been the only tonnage available. Other countries may use their own shipping in trade with Japan if they desire.

Freight on Japanese shipping is absorbed by the Japanese as a charge which will be included in the final adjustment for materials exchanged.

All freight on cargoes originating in Japan destined to the United States are payable at destination and are computed on current tariff rates which are based on rates existing before the war plus a surcharge of 35 percent and higher in some instances.

Freights on cargoes of foodstuffs and other commodities shipped from the United States to Japan are paid for in the United States.

The subjects treated above, the questions that have been raised, have been under careful analysis and study by SCAP for the last several weeks. As soon as the study has been concluded, which is expected to be in three to four weeks, complete answers will be given.

THE CHAIRMAN: Thank you, MR. FLEMING.

SOVIET INTERPRETER: The GENERAL would like to ask an additional question.

LIEUTENANT GENERAL DEREVYANKO: Is it possible to have the plan of export and import corporations in written form for further study?

MR. FLEMING: Meaning the commodities that have been exported and the commodities that have been imported?

LIEUTENANT GENERAL DEREVYANKO: I mean the general plan of exports and imports.

MR. FLEMING: I might say that to have it in a written form at this time--meetings we have started and have been working from day-to-day policies--we do have under consideration at the present time a study in which policies will be formulated properly approved as to

policies, and that is the paper to which I referred, we believe we can have ready within three to four weeks.

SOVIET INTERPRETER: The GENERAL would like to make a brief recommendation.

LIEUTENANT GENERAL DEREVYANKO: 1. For the purpose of more effective planning of exports and imports of Japan, I think it proper and desirable if all the plans pertaining to exports and imports were previously discussed by the four Allied Powers represented on this Council.

2. I also consider it necessary that the Members of the Allied Council were notified beforehand of all alterations and revisions of the plan of Japanese exports and imports so that they were able to discuss these alterations and revisions and to give their recommendations.

I suggest that further discussion of the question on the Agenda be postponed to the meeting of the Allied Council after the receipt of the plan which you have mentioned.

THE CHAIRMAN: We can discuss the matter further very easily. If I understood the Member for the Soviet Union correctly, he is suggesting that each transaction in trade come before the Council.

LIEUTENANT GENERAL DEREVYANKO: I mean the general plan of export and import operations.

THE CHAIRMAN: The general plan for it is now under study but of course the trade has been handled on day-to-day basis, individual transactions are going on all the time. GENERAL CHU, do you have any comment?

LIEUTENANT GENERAL CHU: I would like to ask a question. To what extent is direct discussion permitted between the Allied Power concerned and the Japanese? Does everything have to be cleared through your section, MR. FLEMING?

MR. FLEMING: Is that general discussion between other nations in buying and selling?

LIEUTENANT GENERAL CHU: Yes.

MR. FLEMING: We are attempting to establish means whereby with the various nations we can contact them directly or they can contact SCAP directly for the purpose of starting negotiations leading to the consummation of a trade of some kind.

LIEUTENANT GENERAL CHU: There is no discussion between Japanese and the Allied Power concerned.

MR. FLEMING: There is no discussion between the Japanese and any nation concerned. The discussion is with SCAP.

THE CHAIRMAN: Except in this respect, that the Supreme Commander represents all of the Allied Powers.

LIEUTENANT GENERAL CHU: What I mean is are you physically equipped to handle all this?

MR. FLEMING: To handle orders?

LIEUTENANT GENERAL CHU: All these transactions. I understand this trade is going to grow as time goes. If every transaction has to be done through SCAP, would that not mean quite a burden?

MR. FLEMING: Well, in reality, more or less the transactions are handled by various Japanese agencies under the direction of SCAP, rather than SCAP handling them directly. However, the negotiations are handled through the Import Export Division of ESS so that we do formulate the transaction but the actual mechanics of carrying it out is done by the Japanese agency, so therefore, even with a comparatively small staff, we can confine ourselves to direct and take care of a large volume of business.

THE CHAIRMAN: Control is maintained in accordance with the early policy decisions one of which I read, to the effect that control is to be maintained over all monies and goods from exchange and financial transactions.

LIEUTENANT GENERAL CHU: Would it be all right if an agent from an Allied Power has some preliminary discussion with the Japanese agency?

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MR. FLEMING: No, the discussions would be carried on with the representatives of ESS section of SCAP. All transactions between SCAP and foreign governments are on a government-to-government basis and the Japanese "agency" is only used for carrying out or doing the mechanics of the operation, such as getting the goods together and examining, packaging, and shipping them, and so on.

LIEUTENANT GENERAL CHU: They will be told by SCAP and not by direct order from the buyer?

MR. FLEMING: That is right.

THE CHAIRMAN (Reading): "Both the policies followed in the exercise of these controls and their actual administration shall be subject to the approval and supervision of the Supreme Commander in order to make sure that they are not contrary to the policies of the Occupying Authorities..."

MR. FLEMING: MR. CHAIRMAN, may I be permitted to make a correction here? I stated a while ago that only Japanese and US vessels had been used, but British vessels have been used. They have sent in British vessels for exporting coal to Hong Kong and they are intending now to use them to bring salt from Aden.

THE CHAIRMAN: MR. BALL, do you have any comments?

MR. BALL: That is the only point I had to make. It has already been made by MR. FLEMING. Thank you, MR. CHAIRMAN.

THE CHAIRMAN: Then we will postpone further discussion of this matter until the plan is prepared and can be laid before the Council. Thank you very much, MR. FLEMING.

Any further comment, GENERAL?

SOVIET INTERPRETER: No comments on the subject, but the GENERAL would like to make a statement, sir.

(LIEUTENANT GENERAL DEREVYANKO addresses the Council in Russian.)

LIEUTENANT GENERAL DEREVYANKO (as interpreted): It has no bearing on the program just discussed.

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MR. CHAIRMAN, it became known to me from the Japanese press that the Japanese Government has established a special commission on the investigation of causes which led Japan to war and to defeat.

It would be desirable if the Headquarters of the Supreme Commander for the Allied Powers inform the Allied Council about the Members of this Commission, about its tasks and concrete problems confronting it.

We are interested in this problem as there is some doubt of the expedience of establishing such a commission insofar as the investigation of the causes of the war, and more than that, of the punishment of the initiators of this war, is subject to the jurisdiction of the International Military Tribunal for the Far East.

As far as the investigation of the circumstances of Japan's defeat conducted by that sort of commission is concerned, this will be nothing but legal generalization of war experience.

I, and I hope my colleagues in the Council, would be much obliged to you, sir, for submitting information on this subject at the next meeting of the Council.

THE CHAIRMAN: You would like, then, to place this matter on the Agenda for the next meeting?

LIEUTENANT GENERAL DEREVYANKO: I would like to have answers to the problems raised at the next meeting of the Council, if possible, sir.

THE CHAIRMAN: If you will kindly prepare the usual request for placing the subject matter on the Agenda, just as a matter of following the normal procedure, we will do it.

Is there any further business before the meeting? If not, let us adjourn.

(The meeting adjourned at 1220 Hours.)

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SUMMARY OF THE PROCEEDINGS

of the

EIGHTH MEETING

ALLIED COUNCIL FOR JAPAN

Meiji Building, Tokyo, Wednesday, 26 June 1946 at 10:00 A. M.

MEMBERS PRESENT

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

Lieutenant General Chu Shih-Ming, 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

Colonel Bonner F. Fellers

Office of the Secretariat
Allied Council for Japan
1 July 1946

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The CHAIRMAN, THE HONORABLE GEORGE ATCHESON, JR., opened the Eighth Meeting of the Allied Council for Japan at 1002 hours.

The Members approved the minutes of the previous meeting.

Under Procedural Matters the CHAIRMAN asked the Secretary-General to explain why there was no Summary for the previous meeting. COLONEL FELLERS stated he had been unable to draft a Summary to which all Members would agree; that MR. BALL and MR. SHEN agreed in principle to every detail of GENERAL DEREVYANKO's seven-point program but did not agree to the program as a joint recommendation. COLONEL FELLERS went on to say that GENERAL DEREVYANKO was of the opinion that the other two Members had agreed to his program as a joint recommendation and that the GENERAL had insisted his plan must so appear in the Summary. Consequently the Secretariat drafted a letter for the CHAIRMAN to submit to the Supreme Commander presenting the view of each Member and indicating the points in which there was common agreement.

The CHAIRMAN added that this letter had been transmitted to the Supreme Commander who now had received "...the views of each of the individual Members."

LIEUTENANT GENERAL DEREVYANKO stated he could not see why a Summary could not be prepared from the Verbatim Minutes and that one should be drafted accordingly.

After additional discussion by all Members concerning the possibility of agreement on a new Summary, the CHAIRMAN remarked, "We will leave it in the hands of the three Members."

The CHAIRMAN then read a translation of a letter from GENERAL DEREVYANKO to AMBASSADOR ATCHESON. The letter transmitted the views of the Soviet Government opposing the enlargement of the Japanese fishing area on the grounds that the present area more than met Japan's needs and the extension of the area directly related to the creation of a large ocean-going fishing fleet, the size of which was a subject for discussion by the Far Eastern Commission.

AMBASSADOR ATCHESON read his answer to GENERAL DEREVYANKO, dated 24 June 1946, which called attention to a 22 June SCAP Directive enlarging the Japanese fishing areas. The letter pointed out that there was no connection between the size of the post-war Japanese fleet and the temporary emergency extension of the fishing area, the purpose of which was to alleviate the food situation in Japan.

LIEUTENANT GENERAL CHU, THE HONORABLE W. MACMAHON BALL and LIEUTENANT GENERAL DEREVYANKO then replied that they had not received the letter and GENERAL DEREVYANKO said he could not comment until he had received it.

The first item on the Agenda, "Disposition of Government Property," had been held over in order that Members might receive additional information.

In reply to a request for clarification of the Japanese plan for disposition of Government property, LIEUTENANT COMMANDER AKIN listed the machines for disposition as sewing machines, medical equipment, wood-working machines, and miscellaneous capital goods, and explained that none of these was subject to reparations and that the number of machines was closer to 20,000 than 40,262. He explained that, during the war, the now converted enterprises manufactured war materials such as munitions, ordnance, aircraft, instruments, and the like; that at the present time they are manufacturing those items needed for Japanese "minimum economy" and for the Occupation Forces.

COMMANDER AKIN said neither he nor the Japanese Government knew the exact number of vessels lost during the war or confiscated in formerly occupied territories, but that the Ministry of Transportation was investigating this matter and an answer should be available in the near future.

LIEUTENANT GENERAL CHU asked that he be informed of the attitude of the Japanese Government toward property of war criminals and made certain specific recommendations that appear at the end

of this Summary.

In answer to a question by the CHAIRMAN, LIEUTENANT GENERAL CHU said, "We ought to make sure that they (machines) are not to be included in the reparation category before we give them permission to sell."

MR. BALL stated he had expressed concurrence with the proposed Japanese plan to dispose of Government Property at the last meeting, but would like to repeat that this plan should be subject to the reparations program, and that land which was to be sold should be subject to the Rural Land Reform program.

LIEUTENANT GENERAL DEREVYANKO in commenting on the Japanese plan for the Disposition of Government Property and their reasons for this plan, stated, "It is impossible to consider as satisfactory the explanation given by the Japanese Government concerning the proposal to allocate certain land as factory compounds." He stated that the Japanese Government plan to dispose of certain property because it was deteriorating was also unsatisfactory since they themselves are responsible for its preservation. LIEUTENANT GENERAL DEREVYANKO then made seven recommendations on the Disposition of Government Property which appear at the end of this Summary.

Under Item 2 of the Agenda, "Integration of Repatriates into the National Life of Japan," AMBASSADOR ATCHESON opened the discussion by reminding the Members that this item was proposed by the Supreme Commander for discussion at the last regular meeting of the Allied Council on 12 June, and that it was held open, "...because of one of the Members' wishes to have information as to the size and category of the repatriates with which we are principally concerned."

AMBASSADOR ATCHESON pointed out that the Supreme Commander is under instructions to utilize all available shipping for repatriation purposes and since all Allied Powers have not made available to him Japanese ships acquired by their forces, he had found it necessary to obtain from the United States Government 100 Liberty Ships

and 85 LST's to augment the Japanese shipping, and that the Member for the USSR had recently raised the question of the allocation among the Allied Powers of Japanese Navy vessels now in use for repatriation purposes.

Reminding the Members of the Terms of the Potsdam Declaration which required Japanese military forces after being disarmed to be allowed to proceed home and to lead peaceful and productive lives, the CHAIRMAN pointed out that excellent repatriation progress had been made; that from United States controlled areas 93% had been repatriated; from British controlled areas 68%, from Chinese controlled areas with the exclusion of Manchuria 94%; from Soviet controlled areas 0%. He stated that a large number of Japanese had illegally crossed south of the 38° parallel in Korea and had been then evacuated to Japan. He stressed that on several occasions the Japanese Government had brought to the Supreme Commander's attention the question of repatriation of Japanese detained by the Soviet Forces and that the Supreme Commander had received "literally hundreds of letters" from friends and relatives of Japanese on the same subject. AMBASSADOR ATCHESON urged that the Terms of Surrender should be carried out voluntarily by all concerned and not by just a few, and asked the Soviet Member for any comment which he might make on this particular question.

LIEUTENANT GENERAL DEREVYANKO remarked that the question on the Agenda dealt with integration of repatriates in Japan and not with the over-all problem of repatriation which was a problem outside the scope of the Council; and that he was unable to make any recommendation as to the integration of repatriates until the Japanese Government had formulated a program. GENERAL DEREVYANKO stated, however, that he had presented the problem of Japanese repatriates under Soviet Control to his Government. He then said, "I am also of the opinion that it would be very good if GHQ expedited the furnishing of ships for the purpose of repatriation

of Japanese subjects from North Korea to Japan."

AMBASSADOR ATCHESON remarked that the question of repatriation of Japanese from Soviet controlled areas was part of the general problem of integration. In so doing, MR. ATCHESON referred both to the Terms of Surrender and to the Terms of Reference for the Allied Council, and stated that the question of repatriates clearly falls within the purview of this Council.

LIEUTENANT GENERAL CHU concurred with LIEUTENANT GENERAL DEREVYANKO's recommendation that the Japanese should prepare an integration program for their repatriates, but stated he did not concur with GENERAL DEREVYANKO in his point that repatriation was outside the purview of the Council.

LIEUTENANT GENERAL CHU suggested that General Headquarters, through the proper agencies, should continue its surveillance of the activities of the repatriates, to which the CHAIRMAN agreed.

Commenting on this item, MR. BALL stated that a group of three million repatriates would require a plan different from one for only 300,000. The 300,000 could probably be absorbed by placing them in private industries, but that with three million, some very far-reaching public works program would be necessary. He also stated that war veterans and displaced persons should not be handled separately and that "bottle-neck industries" should be determined so that repatriates could be employed therein. Under bottle-neck industries he mentioned the coaling industry since its development would improve other industries as well. He went on to state that he was extremely sorry but he could not give more concrete recommendations without definite answers to the questions he had raised.

LIEUTENANT GENERAL CHU said he thought the point about not making any distinction between ex-soldiers and other displaced persons was well taken.

LIEUTENANT GENERAL DEREVYANKO again said he couldn't formulate an opinion until a program had been received from the Japanese

Government.

In answer to a question by AMBASSADOR ATCHESON, "Should the Japanese Government be asked to prepare a program?" GENERAL DEREVYANKO said they should.

It was then decided to hold this item over until the next meeting.

Under Item 3, "Exports and Imports of Japan," submitted by the Member for USSR, AMBASSADOR ATCHESON recalled the early basic policy decisions in regard to the general question of Japanese trade which were formulated as early as September 1945. He quoted four of the pertinent statements of policy and ended by saying that the Supreme Commander has been careful to guide the resumption of Japanese post-war trade at a pace which will allow both analysis and supervision.

In reply to a request for information concerning GHQ procedures for handling Japanese exports and imports, MR. FLEMING of the Economic and Scientific Section, made the following statements:

1. That imports were being authorized in order to prevent famine and disease, and to provide raw materials urgently needed to manufacture goods for export and for the Occupation Forces;
2. That since Japan does not have any credit abroad, the War Department had financed and directed the initial procurement of food, fertilizer, petroleum products and several minor quantities of miscellaneous items;
3. That exports are programmed in ratio to Japan's pre-war trading pattern but that there were two exceptions to this policy, namely, exports which are in world short supply have been allocated by a combined committee in Washington, and exports which are directly bartered for essential imports;
4. That export and import figures to the various Allied countries beginning with the Occupation to 31 May 1946 show a favorable foreign trade balance for Japan of \$23,631,602.00;
5. That principle exports included raw silk, coal, mining supplies and equipment, mulberry seedlings, silk-worm eggs, and

miscellaneous like items, and that principle imports included food, medical supplies, phosphate rock, petroleum products and salt;

6. That all exports must be paid for, and that the prices being charged were determined by continuous analysis of world market prices;

7. That to date it has been possible to conduct limited foreign trade under "open account procedure" with former Japanese trading areas;

8. That the methods and dates for the settlement of foreign trade accounts have been under consideration for many weeks and it is expected that exact procedures for these transactions would be established shortly;

9. That United States Government had to take the initiative in providing Japan with needed materials and had disposed of exports to pay for such materials;

10. That this had been done through an agency called the United States Commercial Company which handled all the trade with the United States;

11. That, "Our Allies are increasingly participating in this trade," and, "There has been no discrimination practiced toward any Allied nation in this policy";

12. That no customs duties were being collected by the Japanese for either exports or imports, but that on petroleum products a small charge or tax had been added in order to bring the price of import in line with official prices;

13. That Japanese shipping, including a few American bottoms manned by Japanese crews, are being used exclusively for trade between Japan and the Asiatic areas;

14. That all Japanese tonnage is operated directly under the control of the Japanese Merchant Marine;

15. That other countries could at the same time use their own ships for trade with Japan if they so desired.

MR. FLEMING ended his presentation by stating that the subjects above have been under careful analysis and study by SCAP for many weeks and that as soon as the study was concluded, which would be in about three or four weeks, more complete answers could be given.

LIEUTENANT GENERAL DEREVYANKO then made two specific recommendations which appear at the end of this Summary.

LIEUTENANT GENERAL CHU asked, "To what extent is direct discussion permitted between the Allied Powers concerned and the Japanese?" and, "Does everything have to clear through your Section?"

MR. FLEMING replied that SCAP is attempting to establish a method whereby various nations can deal with the Japanese directly or they can contact SCAP for the purpose of starting negotiations; that at present all discussion is through SCAP and that there is no discussion between the Japanese and other nations.

The CHAIRMAN added, "Except in this respect, that the Supreme Commander represents all of the Allied Powers."

LIEUTENANT GENERAL CHU asked if MR. FLEMING's Section was equipped to handle all the work especially after the trade grows. To this, MR. FLEMING remarked that the actual mechanics of carrying out export and import is done by a Japanese agency, consequently even with a comparatively small staff his section can direct and take care of a large volume of business.

In answer to another question by LIEUTENANT GENERAL CHU, MR. FLEMING explained that negotiations for transactions at present are on a government-to-government basis and that the Japanese agencies are used for effecting the mechanics of the operation, that is, collection, examination, packaging and shipment.

MR. FLEMING corrected his previous statement that only Japanese and U. S. vessels were being used. British vessels also are hauling coal to Hongkong and eventually will bring salt to Japan.

The CHAIRMAN asked MR. BALL for comment, to which MR. BALL answered the only point he had to make had already been covered

by MR. FLEMING by his correction on shipping vessels.

The CHAIRMAN closed the discussion on this subject by stating, "Then we will postpone further discussion on this matter until the plan is prepared and can be read before the Council."

LIEUTENANT GENERAL DEREVYANKO then presented the following:

The Japanese press has stated that the Japanese Government was establishing a special commission to investigate the causes which led Japan into war and to defeat. GENERAL DEREVYANKO felt it would be desirable if the Supreme Commander informed the Allied Council about the composition of this commission, its tasks, and the concrete problems confronting it. GENERAL DEREVYANKO said that we are interested in this problem mainly because it falls within the jurisdiction of the International Military Tribunal for the Far East. He believed that the investigation of the circumstances of Japanese defeat conducted by the Commission is nothing but a legal generalization of war experiences.

When GENERAL DEREVYANKO stated that he would like this information at the next meeting, the CHAIRMAN advised him to submit it as an item for the Agenda.

There being no more business before the Council, the meeting was adjourned at 1220 hours.

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SUMMARY OF RECOMMENDATIONS OR
SUGGESTIONS FOR SCAP

ITEM I -- "Disposition of Government Property."

LIEUTENANT GENERAL CHU recommended in substance:

1. That the Japanese Government's plan, to dispose of minor articles which are useless for reparations and to retain large warcraft and Army and Navy arsenals, should be examined thoroughly by GHQ before the overall plan is approved.

a. That Government properties such as land, timber, bamboo, buildings, construction, and mining rights, which

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have little to do with reparations, may be disposed of now.

b. That items such as machinery, heavy equipment and vessels which are subject to reparations should be held in abeyance pending decision on the overall reparations plan.

2. That investments, shares and stocks of corporations such as South Manchurian Railway Company, Ltd., North China Development Company, Ltd., Central China Development Company, Ltd., Bank of Taiwan, etc., which have engaged in economic aggression in China, should be disposed of only after the reparations plan has been definitely decided upon.

3. That Japanese repatriates should be given priority and facility in buying uncultivated land.

THE HONORABLE W. MACMAHON BALL stated he had already expressed concurrence with the general principles of the Japanese Government proposal but suggested the following safeguards be taken:

1. That all parts of this plan should be subject to the reparations program.

2. That all land sales should be subject to the provisions of Rural Land Reform which is finally adopted.

LIEUTENANT GENERAL DEREVYANKO recommended in substance:

1. That there is no objection to the Japanese Government disposing of such property as lumber and bamboo, dwellings and other construction which might be used to render help to the needy population.

2. That as far as all the Government land is concerned, it would be advisable to include it in the general land reserve fund of the Rural Land Reform and dispose of it either free of charge or at the book value of these lands among the most needy farmers who have little or no land and who will personally cultivate it.

3. That the solution of the problem of the disposal of

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such Government property as machinery, vessels, and Government investments and shares, should be postponed until the general decision has been reached concerning

a. The question of the Japanese Navy and Merchant Marine.

b. The solution of the problem of the Japanese reparations, and

c. The general economic potential of Japan.

4. That the Japanese Government be allowed independently to dispose of property valued not higher than ¥200,000, and that property valued higher than ¥200,000 should be disposed of only with the approval and sanction of the General Headquarters, Supreme Commander for the Allied Powers.

5. That the Zaibatsu and restricted companies be excluded from the list of possible purchasers of Government Property.

6. That no purchases of Government property by means of blocked accounts, loan bonds, and other securities should be allowed. This is for the purpose of excluding any possibility of the Japanese Government making disguised compensation to certain companies.

7. That the Japanese Government be directed to put into working condition all the deteriorated equipment, and that private concerns which misused the Government property should restore it at their own expense.

ITEM 2 -- "Integration of Japanese Repatriates into the National Life of Japan."

THE HONORABLE W. MACMAHON BALL made the following suggestions and recommendations:

1. That in formulating a plan for the integration of repatriates it would be helpful to know how many and what types of people were involved.

2. That in the overall plan for the integration of displaced personnel, no distinction be made among repatriates, war veterans and other displaced persons. LIEUTENANT GENERAL CHU associated himself with MR. BALL on this point.

3. That the Japanese Government determine which particular industries are bottle-neck industries and channel those repatriates who are suitable for such employment into the bottle-neck industries.

LIEUTENANT GENERAL DEREVYANKO recommended:

1. That the Japanese Government be required to develop a program for the integration of repatriates into the national life of Japan. LIEUTENANT GENERAL CHU associated himself with GENERAL DEREVYANKO on this point.

2. That General Headquarters expedite ships for repatriation of Japanese subjects from North Korea.

ITEM 3 -- "Exports and Imports of Japan."

LIEUTENANT GENERAL DEREVYANKO recommended:

1. That the general plan for exports and imports of Japan be presented to the Allied Council for discussion prior to its issuance to the Japanese Government.

2. That all alterations and revisions of this plan be presented to the Allied Council for discussion prior to their issuance to the Japanese Government.