

tiation of a peace treaty, as SCAP had recommended, he was sure that the Russians would have come along and that this achievement, with respect to Japan, might have had a decisive effect on the whole world situation. Unfortunately the favorable moment had been missed and the Russians had started to make trouble. Now they were being supported by the Chinese, for what motives he was not sure. He thought the Chinese Government could be brought away from this position. He had had Dr. Wang<sup>2</sup> over here and talked to him for three days and had so shaken him that he almost had a fit of apoplexy during the interview. Dr. Wang had returned to China obviously not certain in his mind as to the wisdom of continuing the stand the Chinese Government had taken; but after his return he had apparently again been influenced in the other direction, probably by American newspaper correspondents, including the younger Powell.<sup>3</sup>

Both the Russians and the Chinese had a strong interest in the eventual conclusion of a peace treaty. For if no treaty were concluded, the United States might have to remain indefinitely in this position, and that would end up by Japan becoming within 30 years a real satellite of the U.S. The failure to conclude a treaty was thereby forcing us into exactly the position that the Russians were accusing us of occupying. He had pointed this out to the Chinese Foreign Minister, and it is this which had caused the Minister such agitation. There was, of course, a possibility that if China were too hard pressed by Russia she might eventually come to view the U.S. position in Japan as an asset to China; but he thought that all in all this was unlikely—that the Chinese were too short-sighted to understand the advantage to them of our being here. Therefore he thought that in the end both the Russians and the Chinese would have to come to terms about the treaty in order to get us out of Japan; but he did not know whether this would be in one year or in six.

A great significance lay in the accomplishments of the occupation of Japan. The Japanese were the most advanced of the Oriental peoples, and in that capacity they were bound to exercise in the long run the greatest influence over the others. A billion of these Oriental peoples lived on the shores of the Pacific. People in Washington were making a great, though understandable, mistake in overrating the affairs of Europe and underestimating those of the Orient. The great events of the next thousand years would transpire in this area. We had the opportunity, through the Japanese, to plant the seeds of the appreciation of Christianity and democracy not only in Japan but throughout the whole enormous area and to bring to these billion

<sup>2</sup> Wang Shih-chieh, Chinese Minister for Foreign Affairs.

<sup>3</sup> John William Powell, son of John Benjamin (J. B.) Powell, veteran newspaperman and editor at Shanghai until 1942.

people, who might soon be two billion, the blessings of freedom and of a higher standard of living. If we accomplished this mission, we might fundamentally alter the course of world history.

Miscellaneous: The other countries of the Pacific area were very short-sighted on the subject of trade with Japan. Even our own country was willing to give a cotton loan but not to accept the cotton goods which would emerge from it.

The Russians were Orientals under the skin. That was our great mistake in dealing with them; that we had not realized this and tried to treat them as Occidentals. Nevertheless, they could not pass as Orientals among the other Oriental peoples, and therefore could not exercise great influence in the Far East.

[II]

TOP SECRET

CONVERSATION BETWEEN GENERAL OF THE ARMY MACARTHUR AND  
MR. GEORGE F. KENNAN, MARCH 5, 1948

Prior to my interview with the General, I sent over to him by messenger the following statement, accompanied by a note saying I thought this was a central question on which I believed the Secretary of State would appreciate having his views.

"However we act in the matter of a peace treaty, there is little likelihood that a treaty will be concluded, ratified by the requisite number of states, and put into effect at any early date. Many months—at least a year—would almost surely have to elapse before that could happen.

"That means that we are faced with a further extensive period, of indefinite duration, during which we will have to carry on without a treaty.

"Our existing occupational policies are based on the Potsdam Declaration. But the objectives of the Potsdam Declaration were really pertinent only to the immediate post-surrender period. They made provision for the security of the Allies from Japanese aggression. They made no provision for the security of the Japanese islands from aggression, overt or concealed, from outside. As far as they go, furthermore, these Potsdam objectives have been substantially achieved. They can therefore no longer serve as adequate guides into the future.

"It appears to many of us in Washington that in view of the developing world situation the keynote of occupational policy, from here on out, should lie in the achievement of maximum *stability* of Japanese society, in order that Japan may best be able to stand on her own feet when the protecting hand is withdrawn. This would seem to mean that the accent should now be placed on:

"(a) A firm U.S. security policy for this area, envisaging both the coming interim period and the eventual peace period, and de-

signed to give the Japanese adequate assurance against future military pressures;

"(b) An intensive program of economic recovery; and

"(c) A relaxation in occupational control, designed to stimulate a greater sense of direct responsibility on the part of the Japanese Government and to give the Japanese people greater opportunity to assimilate in their own way the reform measures already introduced.

"Any comment which the Commander-in-Chief might care to make on the above would be much appreciated."

The General opened the conversation by thanking me for sending him this statement and saying that he would be glad to let me have his views on it.

He began by pointing out the extent to which the Far Eastern Commission constituted an impediment to any reasonable revision of our policy at this time. He stated that he had always been opposed to the FEC and the Allied Council. He had felt sure that the Russians would never cooperate helpfully in such bodies and that the others would not have insisted on these control arrangements if we had opposed them. They had been originally based, he thought, on a misconception of the future course and possibilities of our relations with Russia. Today we had them. The FEC had issued some 50 directives. General McCoy, who was his old friend, had an aversion to permitting the use of the veto in the FEC, and the efforts of that body had therefore been concentrated on getting agreement for agreement's sake rather than on the realities of the requirements of the situation in Japan.

Turning to the question of security, the General outlined his views on the position of the Pacific area in the pattern of our national defense. He said that the strategic boundaries of the United States were no longer along the western shores of North and South America; they lay along the eastern shores of the Asiatic continent. Accordingly, our fundamental strategic task was to make sure that no serious amphibious force could ever be assembled and dispatched from an Asiatic port. In the past the center of our defense problem had lain farther south, in the neighborhood of the Philippines. It had now shifted to the north, since it was now only toward the north that a threat of the development of amphibious power could mature.

The General then described the area of the Pacific in which, in his opinion, it was necessary for us to have striking force. This was a U-shaped area embracing the Aleutians, Midway, the former Japanese mandated islands, Clark Field in the Philippines, and above all Okinawa. Okinawa was the most advanced and vital point in this

structure. From Okinawa he could easily control every one of the ports of northern Asia from which an amphibious operation could conceivably be launched. This was what was really essential. Naval facilities were important; but the air striking power was vital for the purpose in question. With adequate force at Okinawa, we would not require the Japanese home islands for the purpose of preventing the projection of amphibious power from the Asiatic mainland. That did not mean, of course, that it was not important to us to see that the strategic facilities of the Japanese islands remained denied to any other power. All the islands of the Western Pacific were of vital importance to us.

For these reasons, he attached great importance to Okinawa, and felt it absolutely necessary that we retain unilateral and complete control of the Ryukyu chain south of Latitude 29. The people were not Japanese, and had never been assimilated when they had come to the Japanese main islands. The Japanese looked down on them. He had been obliged to evacuate a half million of them back to the Ryukyus, as one of the first acts of occupational policy. They were simple and good natured people, who would pick up a good deal of money and have a reasonably happy existence from an American base development in the Ryukyus.

He regretted that we had not adopted a firm and permanent policy of base development at Okinawa. This had reflected unfavorably on the morale and efficiency of the forces stationed there. He pointed out that we had complete unilateral control of the Ryukyus at this time. They were not under SCAP authority but were under the authority of the Far East Command. They were therefore today entirely in our power and under our flag and no one could force us to release them without our consent.

As for the Japanese islands, he did not believe that it would be feasible for us to retain bases anywhere in Japan after the conclusion of a treaty of peace. For us to do so would be to admit the equally legitimate claim of others to do likewise. He could assure me that the others would be only too anxious to take advantage of this. Not only the Russians but the other Allies would want some sort of base on Japanese territory. The only way to prevent this was for us to keep out.

As for the needs of our Navy, this was the one subject on which he felt some doubts about the adequacy of his own knowledge of the problem. He understood the Navy's desire to have facilities in this area and appreciated the necessity for it. He realized that the Navy did not like the prospect of making Okinawa its advance base, principally because the island was swept by typhoons and did not provide adequate protection, not to mention the absence of the usual port development. He felt, however, that these difficulties could be overcome. It

would be possible to build a breakwater which would give better protection to vessels lying there; and it would always be possible for them to stand out to sea if necessary, under typhoon conditions.

Turning then to the question of economic recovery, the General said that he agreed with the view that this should be made a primary objective of occupational policy but did not know what he could do today that he was not already doing to achieve it. The problem depended, in the main, on the development of foreign trade. The other Far Eastern countries were shamelessly selfish and negative in their attitude toward Japan. This was perhaps understandable but nonetheless regrettable. He had been able to make some impression on Evatt, when he was here, but he had no doubt that he would begin to backslide when he had been back in Australia for some time. Our real problem was therefore to overcome these inhibitions on the part of the other Far Eastern countries and to get Japan started again as a processing and trading nation. He hoped that the revolving fund would help and that things would soon begin to pick up.

Turning to the last of the three points that I had mentioned, he said that actually much less control had been exerted over the Japanese Government than was generally supposed in the U.S. The provisions in the constitution, for example, renouncing for all time the employment of armed force, were the result of a Japanese initiative and nothing that he had forced upon them. He really felt that the outcome of the war had had a profound effect on Japanese psychology and that their renunciation of armed power reflected not a catering to the wishes of SCAP but a reaction to a tremendous national experience.

As for the Zaibatsu, it was really not true that the men who had been eliminated from influence were persons of superior competence. His Headquarters had received many communications from Japanese thanking them for getting rid of these elderly incompetents and opening the way for better men. Anyone who knew personally the men who were eliminated through the deconcentration program would appreciate that they were the counterparts of the most effete New York club men.

Actually, the brains of Japan had been in the armed forces. He regretted that it had been necessary to eliminate all those brains from public life. But this had not been his choice. This had been one of the first directives he had received from the U.S. Government concerning occupational policies. It had been embodied in the Potsdam Declaration.

As for the other reform measures, he thought they were almost completed. Another three or four months should see the process substantially wound up. The Civil Service reform was the only important out-

standing measure. When this had been implemented we might indeed be able to relax and permit the measures already taken to be assimilated. The economic purge, he emphasized, was not as extreme a program as many people thought. It involved no confiscation of property. SCAP was determined to see that fair prices were paid for the holdings which were being broken up.

Actually, the reform programs he had conducted had not been nearly as drastic as had been suggested by the directives he had received from Washington.

He realized that to some extent our occupational policies had been influenced by academic theorizers of a left-wing variety, at home and in Tokyo. He felt that there was a group of them in the Department of State. He said he also had a few of these in his own shop but he did not think they did much harm. He was planning soon to cut down on the SCAP section which had been most concerned with the subjects which were of interest to these elements and he thought that the problem would be adequately taken care of.

As for the question of a treaty of peace, all he could say was "I'm damned if I know." He had hoped that it could at least have been possible by this time to put a lot of people around the table and start them negotiating. He realized that it would take many months for them to finish. He was sure that the Chinese could be won over with a certain amount of pressure, but he was not sure about the Russians. And he did not know whether it would be advisable for us to press for a treaty without the Russians.

The General then asked whether I had any further questions or any specific points on which I would like him to elaborate further. He emphasized that he was completely at my disposal and would be happy to tell me his thoughts on any subject I might be interested in.

I said that I appreciated the difficulty with regard to the FEC; in fact, I, too, had never been sanguine about it at the time of its establishment. But it did seem to me that there might be a way in which we could handle the problem presented by its authority. I pointed out that the terms of the reference of the FEC called upon it only to outline policies for the implementation of the terms of surrender. In the light of the wording of the surrender terms, this meant in effect the provisions of the Potsdam Declaration. However, the terms of the Potsdam Declaration were substantially carried out at the present time, and what remained to be done to affect their complete accomplishment could be done in a very short time. This meant that in actuality the policy-making functions of the FEC were substantially completed. They could not be taken to relate to the period following the execution of the terms of surrender. We would be entirely within our rights in

declining to agree to FEC directives which attempted to go beyond this limit.

I added that of course we could not change the regime of control without the agreement of the other countries in FEC, nor could we abolish the FEC itself; but we could easily render it quiescent, and permit it to languish as long as we pleased.

The General seemed much impressed with this suggestion and said that he believed that I had found the answer. It appealed to him strongly, and he thought it was exactly the right line for us to take. He said that he could easily certify to the FEC countries within a very short time that the surrender terms had been carried out.

I explained that under this concept our position would be as follows: "The terms of the surrender have been executed; therefore the policy-making functions of FEC are exhausted. We cannot, however, abolish the regime of control, insofar as it relates to the occupation of Japan, until we have a treaty of peace. In other words, the occupation is continued, not for the enforcement of the execution of the terms of surrender, but to bridge the hiatus in the status of Japan caused by the failure of the Allies to agree on a treaty of peace." Under such a concept, the occupying forces in Japan would become essentially garrison forces rather than the sanctions for the enforcement of the surrender terms. This being the case, the Far Eastern Command would naturally be retained, and we would continue to station in Japan such forces as we thought suitable to the requirements of the situation.

I pointed out that actually, this would probably have the effect of forcing the Russians to come to the council table and negotiate, for it would make it evident to them that failure to do that would merely enable us to remain in Japan indefinitely as a military power without being subject to the authority of the FEC. It was to the FEC, after all, that the Russians had looked for a channel of interference and restraint which could prevent the success of any constructive American policies in Japan. If the FEC could no longer serve as an instrument of Allied policy, I thought the Russians would take a different view of the problem of a peace treaty. We would then have them over a barrel; for they would either have to agree to the type of treaty we liked or consent to see us remain indefinitely in Japan with our military forces.

The General said he agreed with this, and it would play a great part not only with the Russians but with the others.

I then said that I hoped we could use the intervening period to wind up as many as possible of the troublesome technical problems arising out of the war, in order that they might not have to encumber the treaty of peace. If we could liquidate such problems as restitution,

property custodianship, reparations, we could shorten the treaty by a great deal and simplify the process of its negotiation. I said that I thought long and legally involved agreements were by all means things to be avoided if possible, particularly when dealing with people like the Russians who had absolutely no understanding with people for them. I said that the Russians, whose concepts of property were as primitive as those of a crow, simply didn't know what you meant by intricate legal provisions on property liquidation and similar subjects. I thought the treaty should not only be as brief as possible but have as little as possible of the punitive and exoratory element to it. It should, in my opinion, be short, general, and inoffensive, and should constitute a pat on the back and a gesture of confidence to the Japanese as they move in to a new period.

To this also, the General indicated his complete concurrence.

I referred to the question of reparations and said that I had been much impressed with the briefing which General Harrison<sup>4</sup> had given us on this subject. To me, it was incomprehensible how people could have seriously believed that the concepts underlying our approach to this question to date could ever have had a satisfactory practical application. Today, the whole question was almost hopelessly snarled up. I thought only something in the nature of a firm surgical incision could bring about any satisfactory solution of it.

The General said that he agreed with this view and he proceeded to speak at length, and with some vehemence, about the impracticability of the reparations program. The plants in question were almost without exception in a state of deterioration and obsolescence. Only limited portions of them could be physically removed. It would cost large sums of money and large amounts of badly needed materials to pack them and to transport them to ship's side. Then there was the unsolved question of the shipping to move them to the recipient countries. Finally, none of these other countries was in a position to make any effective use of such facilities. One needed not only the machines but many other things which could not be shipped with them; the locations, the labor, the power, and the buildings. He could see in his mind's eye these Japanese machines lying and rusting on the docks at Shanghai, and he was absolutely certain that only a negligible portion of them would ever be used to any good effect. Meanwhile, he had already found it necessary to turn some of them to other uses, and they were helping in the problem of Japanese recovery. This, too, should not be interrupted. But more important than this was the effect of the uncertainty created for the Japanese owners concerning the future

<sup>4</sup> Brig. Gen. W. K. Harrison, Jr., Chief, Reparations Section, GHQ, SCAP, Tokyo, and chairman of the Reparations Technical Advisory Committee there.

of these properties. This uncertainty constituted an intolerable drag on economic recovery, for which the U.S. people were footing the bills.

The General felt that our Government had no choice but to declare flatly that while it would proceed with the 30% program already in process of implementation, nothing beyond that point could be reconciled with our other obligations and responsibilities in Japan in the coming period, and we were thereby obliged to make it clear that there would be no reparations from Japan in excess of the 30% program, as long as our responsibilities in these matters had not been resolved by a treaty of peace.

I added that I hoped we could find some way to make a similar surgical incision on the property questions. At the present rate, we would be many years liquidating the properties for which we had accepted custody. I thought that we might have to fix firm and rather drastic time limits for the presentation of claims on certain categories of property, with a view to getting this whole question wound up and settled before we were obliged to enter into a treaty of peace.

This concluded our discussion on policy matters. I thanked the General for his patience and his extremely helpful comments and told him that I would not take up any more of his time for these matters. He insisted, however, that he would see me again before I left Japan.

[GEORGE F. KENNAN]

[III]

TOP SECRET

CONVERSATION BETWEEN GENERAL OF THE ARMY MACARTHUR, UNDER SECRETARY OF THE ARMY DRAPER, AND MR. GEORGE F. KENNAN, MARCH 21, 1948 (AMENDED MARCH 23, 1948)

The following are notes covering matter discussed at a conference in General MacArthur's office beginning at 6:00 p. m., 21 March 1948. Present: General MacArthur, Under Secretary of the Army Draper, Mr. George Kennan and Brigadier General C. V. R. Schuyler.

A. *Rearmament of Japan*

General Draper stated that although Secretary Royall has not yet formulated an opinion, nevertheless, there is a general trend in recent War Department thinking toward the early establishment of a small defensive force for Japan, to be ready at such time as U.S. occupation forces leave the country. He asked for General MacArthur's opinion.

General MacArthur replied that this question is a fundamental one. It involves consideration of a number of factors, all of which bear directly upon the problem. He stated that he had very definite views on the subject but emphasized that since he was not familiar with the

strategic thinking of the Army Department and other high echelons, his views were necessarily based on local considerations. He stated the first related matter bearing on the problem is the question of proper timing for a peace treaty. General MacArthur said that this matter was first brought into prominence by President Truman himself, who over one year ago, publicly announced his urgent desire for early action to secure a treaty. Evatt of Australia, promptly supported the President; General MacArthur, three months later, added his support also. At that time, all Far Eastern nations, except possibly Soviet Russia, were eager for a treaty. General MacArthur said he himself approached their local representatives and found this to be their attitude. He felt that Soviet Russia also would have agreed since at that time the Veto question in its relation to peace treaty procedures had not become an issue, United States-Soviet international differences had not yet been aired publicly; and the Communists had suffered numerous local reverses in Japan itself, which made them feel it highly desirable to get rid of SCAP at the very earliest possible date. Apparently the treaty question became entangled with numerous other international issues; delay followed delay, until eventually the opportunity was lost.

Today, General MacArthur said, the problem is entirely different. China, which a year ago considered herself dominant in the Far East, is now weakened by internal strife. Naturally she now refuses to support any measures which would tend to advance Japan toward that position of leadership which China herself expected to occupy. Undoubtedly, were China to participate in a peace treaty conference now, she would insist upon punitive and restrictive clauses which would effectually hamstring further Japanese recovery. It is obvious that the U.S.S.R. also would obstruct the conclusion of any peace treaty which could possibly be acceptable to the United States. In the present state of international tension, Russia is interested primarily in weakening our leadership in this part of the world and in causing political embarrassment to us. She certainly would not agree to any treaty which would establish Japan as an economic entity oriented toward the United States.

General MacArthur said that despite these present difficulties he felt we should still strive to arrange an early peace treaty conference even if it should be necessary to exclude Russia therefrom. He said that the U.S. would have nothing to lose from such a conference, and we would probably gain considerably if we could achieve unanimity of approach toward the problem on the part of all nations except Russia. He felt that, if properly pressured, even China could be brought into line. He said he recognized that no such treaty could be considered as coming into force without Russian agreement, but that