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JOINT CHIEFS OF STAFF

BASIC DIRECTIVE FOR POST-SURRENDER MILITARY
GOVERNMENT IN JAPAN PROPER

References: a. J.C.S. 1380/5
b. J.C.S. 1380/8
c. J.C.S. 1380/12
d. J.C.S. 1380/14

Note by the Secretaries

The enclosed basic directive for post-surrender military government in Japan proper which has been approved by the State-War-Navy Coordinating Committee and concurred in by the Joint Chiefs of Staff is being forwarded to the Supreme Commander for the Allied Powers with information copies to the Commander in Chief, U.S. Pacific Fleet; Commander in Chief, U.S. Army Forces, Pacific; and the Commanding General, U.S. Forces, China Theater.

A. J. McFARLAND,
C. J. MOORE,
Joint Secretariat.

ENCLOSURE

BASIC INITIAL POST SURRENDER DIRECTIVE TO SUPREME COMMANDER
FOR THE ALLIED POWERS FOR THE OCCUPATION AND CONTROL OF
JAPAN

1. The Purpose and Scope of this Directive
 - a. This directive defines the authority which you will possess and the policies which will guide you in the occupation and control of Japan in the initial period after surrender.
 - b. Japan, as used in this directive, is defined to include: The four main islands of Japan: Hokkaido (Yezo), Honshu, Kyushu and Shikoku and about 1,000 smaller adjacent islands including the Tsushima Islands.
 - c. This directive is divided into Part I: General and Political; Part II: Economic and

Civilian Supply; and Part III: Financial.

PART I
GENERAL AND POLITICAL

2. The Basis and Scope of Military Authority

The basis of your power and authority over Japan is the directive signed by the President of the United States designating you as Supreme Commander for the Allied Powers (SWNCC 21/6 (J.C.S. 1467)) and the Instrument of Surrender (SWNCC 21/6 (Annex "A" to J.C.S. 1380/5)), executed by command of the Emperor of Japan (SWNCC 21/6 (Annex "B" to J.C.S. 1380/5)). These documents, in turn, are based upon the Potsdam Declaration of 26 July 1945 (SWNCC 149/1 (Annex "C" to J.C.S. 1380/5)), the reply of the Secretary of State on 11 August 1945 to the Japanese communication of 10 August 1945 (SWNCC Memo for Info. No. 19 (Annex "E" to J.C.S. 1380/5)), and the final Japanese communication on 14 August 1945 (SWNCC Memo for Info. No. 19 (Annex "F" to J.C.S. 1380/5)). Pursuant to these documents your authority over Japan, as Supreme Commander for the Allied Powers, is supreme for the purpose of carrying out the surrender. In addition to the conventional powers of a military occupant of enemy territory, you have the power to take any steps deemed advisable and proper by you to effectuate the surrender and the provisions of the Potsdam Declaration. It is contemplated, however, that unless you deem it necessary, or are instructed to the contrary you will not establish direct military government, but will exercise your powers so far as compatible with the accomplishment of your mission through the Emperor of Japan or the Japanese Government. In the exercise of your powers you will be guided by the following general principles.

3. Basic Objectives of Military Occupation of Japan

a. The ultimate objective of the United Nations with respect to Japan is to foster conditions which will give the greatest possible assurance that Japan will not again become a menace to the peace and security of the world and will permit her eventual admission as a responsible and peaceful member of the family of nations. Certain measures considered to be essential for the achievement of this objective have been set forth in the Potsdam Declaration. These measures include, among others, the carrying out of the Cairo Declaration and the limiting of Japanese sovereignty to the four main islands and such minor islands as the Allied Powers determine; the abolition of militarism and ultra-nationalism in all their forms; the disarmament and demilitarization of Japan, with continuing control over Japan's capacity to make war; the strengthening of democratic tendencies and processes in governmental, economic and social institutions; and the encouragement and support of liberal political tendencies in Japan. The United States desires that the Japanese Government conform as closely as may be to principles of democratic self-government, but it is not the responsibility of the occupation forces to impose on Japan any form of government

not supported by the freely expressed will of the people.

b. As Supreme Commander for the Allied Powers your mission will be to assure that the surrender is vigorously enforced and to initiate appropriate action to achieve the objectives of the United Nations.

c. This directive does not purport finally to formulate long-term policies concerning the treatment of Japan in the post-war world, nor does it seek to prescribe in detail the measures which you are to take throughout the period of your occupation of Japan in the effort to give effect to the surrender and the Potsdam Declaration. These policies and the appropriate measures for their fulfilment will in large measure be determined by developing circumstances in Japan. It is, therefore, essential that surveys dealing with economic, industrial, financial, social and political conditions in Japan be constantly maintained by you and made available to your government. These surveys should be developed in such a manner as to form the basis for effecting modifications in the initial measures of control set forth herein as well as for the progressive formulation of policies to promote the ultimate objectives of the United Nations. Supplemental directives will be issued to you through the Joint Chiefs of Staff as may be required.

4. The Establishment of Military Authority over Japan

a. Immediately upon the surrender of Japan you will require the Emperor, the Japanese Government and the Japanese Imperial General Headquarters to issue orders to all the armed forces of Japan and all armed forces under Japanese control to cease hostilities and to surrender their arms and to issue such other orders as may be required to give effect to the instrument of surrender and the policies set forth in the Potsdam Declaration. You will require the Emperor and the Japanese Government to take all necessary steps to assure that all orders issued to effectuate the objectives of your mission are promptly and fully complied with by all persons in Japan.

b. You will occupy the Imperial capital of Tokyo, and the capitals of such prefectures as you deem necessary in order to facilitate your control over the Japanese Government. You will also occupy such strategic places as you may deem necessary. Otherwise you should not occupy any part of Japan unless it becomes essential to impose direct military government therein. However, you may temporarily utilize your forces in any area of Japan as may be required for the fulfilment of your mission. Subject to the provisions of subparagraph 4 c below, you will take prompt action to assure the restoration and maintenance of law and order by Japanese authorities or by your forces, if necessary.

c. Where action is necessary in order to carry out the surrender, you have the right to act directly from the outset. Otherwise, subject always to your right as the Supreme Commander to take direct action in the event of the unwillingness or failure of the Emperor or other Japanese authority to act effectively, you will exercise your supreme authority through the Emperor and Japanese governmental machinery, national and local. The policy is to use the existing form of government in Japan, not to support it.

Changes in the direction of modifying the feudal and authoritarian tendencies of the government are to be permitted and favored. In the event that the effectuation of such changes involves the use of force by the Japanese people or government against persons opposed thereto, you as Supreme Commander should intervene only where necessary to ensure the security of your forces and the attainment of all other objectives of the occupation. You may, as circumstances require, exercise your supreme power and authority in the fullest measure including the imposition of direct military government. If it becomes necessary to impose direct military government in any part of Japan, you will immediately thereafter advise the Joint Chiefs of Staff. You will not remove the Emperor or take any steps toward his removal without prior consultation with and advice issued to you through the Joint Chiefs of Staff.

d. You will take appropriate steps in Japan to effect the complete governmental and administrative separation from Japan of (1) all Pacific islands which she has seized or occupied under mandate or otherwise since the beginning of the World War in 1914, (2) Manchuria, Formosa and the Pescadores, (3) Korea, (4) Karafuto, and (5) such other territories as may be specified in future directives.

e. By appropriate means you will make clear to all levels of the Japanese population the fact of their defeat. They must be made to realize that their suffering and defeat have been brought upon them by the lawless and irresponsible aggression of Japan, and that only when militarism has been eliminated from Japanese life and institutions will Japan be admitted to the family of nations. They must be told that they will be expected to develop a non-militaristic and democratic Japan which will respect the rights of other nations and Japan's international obligations. You will make it clear that military occupation of Japan is effected in the interests of the United Nations and is necessary for the destruction of Japan's power of aggression and her war potential and for the elimination of militarism and militaristic institutions which have brought disaster on the Japanese. With this end in view, and to insure the security of the troops, a policy of non-fraternization may be applied in Japan if and to the extent that you may deem it to be desirable. Your officers and troops, however, should so treat the Japanese population as to develop confidence in the United States and the United Nations and their representatives.

f. You will require the Emperor to abrogate all laws, ordinances, decrees and regulations which would prejudice the achievement of the objectives set forth in the Potsdam Declaration or which conflict with the instrument of surrender or with directives which may be issued to you through the Joint Chiefs of Staff. You will, in particular, assure the abrogation of all laws, orders and regulations which established and maintained restrictions on political and civil liberties and discriminations on grounds of race, nationality, creed or political opinion. Agencies or parts of agencies charged specifically with the execution of legislation abrogated or to be abrogated shall be abolished immediately.

g. You will establish such military courts as may be necessary with jurisdiction over

offenses against the forces of occupation and over such other matters as are consistent with the implementation of the surrender. You will, however, except as otherwise deemed necessary by you assure that Japanese courts exercise an effective jurisdiction over cases not of direct and predominant concern to the security of your troops.

h. Representatives of civilian agencies of the United States Government or of other United Nations governments shall not participate in the occupation or function independently within Japan except upon your approval, and subject, as to purpose, time and extent, to decisions communicated to you by the Joint Chiefs of Staff.

5. Political and Administrative Reorganization

a. Local, regional and national agencies of governmental administration, excluding those with functions and responsibilities inconsistent with the purposes of the occupation will be permitted to continue to function after the removal of officials who are unacceptable as described in paragraph 5 b below, or who are ascertained to be unreliable. Such agencies and their personnel will be held responsible for the administration of government and will be charged with the execution of your policies and directives. At all times, however, and in all circumstances you are empowered yourself to take direct action if and to the extent that Japanese authorities fail satisfactorily to carry out your instructions.

b. Except as indicated in paragraph 7 c below, in no circumstances will persons be allowed to hold public office or any other positions of responsibility or influence in public or important private enterprise who have been active exponents of militant nationalism and aggression, who have been influential members of any Japanese ultra-nationalistic, terroristic or secret patriotic society, its agencies or affiliates, who have been influential in the activities of the other organizations enumerated in paragraph 5 g below, or who manifest hostility to the objectives of the military occupation.

c. You will assure that at all times, so long as the present form of government is retained, the posts of Lord Privy Seal, Privy Council, Prime Minister and Cabinet members are held only by persons who may be relied upon to further the purposes of your mission. You will require the immediate abolition of the Ministry of Greater East Asia but may retain such of its machinery and personnel as may be necessary to carry out the separation of colonies provided for by paragraph 4 d above. You will progressively disband and eliminate the Ministries of War, Navy, and Munitions during the process of disarmament and demobilization.

d. Local responsibility for the local enforcement of national policy will be encouraged.

e. Ordinary criminal and civil courts in Japan will be permitted to continue to function subject to such regulations, supervision and control as you may determine. As rapidly as possible, judges and other court personnel who are unacceptable under the provisions of paragraph 5 b above will be removed. Such officials will be replaced with acceptable and qualified successors. Full power of review will be retained by you over all courts which are allowed to function. You will veto all decisions which are

inconsistent with the purpose of your mission. You will take all practicable measures to cause the release of persons held in custody solely under laws or regulations of the type to be abrogated under paragraph 4 f above.

f. Criminal and ordinary police agencies, and such others as you may consider proper to be retained under appropriate supervision, must be purged of undependable and undesirable elements, in particular, of members of ultra-nationalistic, terroristic and secret patriotic societies.

g. Throughout Japan you will assure the dissolution of the Political Association of Great Japan, the Imperial Rule Assistance Association (Taisei Yokusankai), the Imperial Rule Assistance Political Society (Taisei Seijikai), their affiliates and agencies or any successor organizations, and all Japanese ultra-nationalistic, terroristic and secret patriotic societies and their agencies and affiliates.

h. You will direct the Japanese Government to recall such Japanese diplomatic and consular officials and other agents abroad as the Department of State may request through the Joint Chiefs of Staff. You will also direct the Japanese Government to arrange for the turning over to the custody of properly accredited representatives of the Allied governments of archives and property of Japanese diplomatic and consular establishments for the purposes of effectuating the surrender.

i. All property, real and personal, owned or controlled by any of the organizations referred to in paragraph 5 g above, should be considered public property. If there is any doubt as to the public status of any property (e.g., property of quasi-official companies or of private companies in which the Japanese Government or the Japanese Imperial Household has an important interest), it should be considered public property. Imperial Household property shall not be exempted from any action necessary to carry out the objectives set forth in this directive.

6. Demilitarization

a. You will assure that all units of the Japanese armed forces including the Gendarmerie (Kempei)(but not the civil police), Civilian Volunteer Corps, and all para-military organizations are promptly disarmed. Personnel of such units will not be held as prisoners of war, but as disarmed units under their own officers and will be demobilized in accordance with directives issued or to be issued by you. You will require that provision be made against any inequitable treatment of or disabilities against any member of the Japanese armed forces taken as a prisoner of war who is returned to Japan.

b. You will provide for the permanent dissolution of all military and para-military organizations, including the Supreme Military Council, the Board of Field Marshals and Fleet Admirals, the Imperial General Headquarters, the Army and Navy General Staffs, the Army, Navy, Civilian Volunteer Corps and Gendarmerie, together with all reservists and other militaristic associations which might serve to keep alive the military tradition in Japan. You may, however, for a brief period of time, utilize military and naval agencies, including those enumerated above, for the limited

purpose of giving effect to the surrender with particular reference to demobilization. All military and para-military training on land and sea and in the air will be prohibited.

c. In accordance with the provisions of the directive already issued you*, you will seize or destroy all arms, ammunition, naval vessels, and implements of war, including aircraft designed for civil use, and stop the production thereof.

d. You will take proper steps to destroy the Japanese war potential, as set forth in Parts II and III in this directive.

7. Arrest and Internment of Japanese Personnel

a. The following will be arrested as rapidly as practicable and held as suspected war criminals, pending further instructions concerning their disposition:

(1) All members of the Supreme Military Council, the Board of Field Marshals and Fleet Admirals, the Imperial General Headquarters, and the Army and Navy General Staffs;

(2) All commissioned officers of the Gendarmerie (Kempei), and all officers of the Army and Navy who have been important exponents of militant nationalism and aggression.

(3) All key members of ultra-nationalistic, terroristic and secret patriotic societies; and

(4) All persons who you have reason to believe are war criminals or whose names or descriptions are contained in lists of suspected war criminals which have been or may be furnished to you.

b. All persons who have played an active and dominant governmental, economic, financial or other significant part in the formulation of execution of Japan's program of aggression and all high officials of the Political Association of Great Japan, the Imperial Rule Assistance Association, the Imperial Rule Assistance Political Society and their agencies and affiliates or successor organizations will be interned pending further disposition. You may intern other civilians as necessary for the achievement of your mission.

c. You may, however, for a brief period of time, utilize the closely supervised services of those persons within the categories enumerated in subparagraphs 7 a (1) and (2) above, who are absolutely required by you to insure the demobilization of the Japanese armed forces.

d. You will receive further instructions concerning your responsibility with relation to war criminals, including those who have committed crimes against peace and crimes against humanity.

e. No differentiation shall be made or special consideration be accorded to civilian or military personnel arrested as war criminals either as to manner of arrest or conditions of detention, upon the basis of wealth, or political, industrial, or other rank or position.

f. All nationals of countries except Japan with which any of the United Nations are or have been at war in World War II (Bulgaria, Finland, Germany, Hungary, Italy, Roumania, and Thailand) will be identified and registered and may be interned or

their activities curtailed as may be necessary under the circumstances. Diplomatic and consular officials of such countries will be taken into protective custody and held for further disposition.

g. Property, real and personal, owned or controlled by persons who have been detained or arrested under the provisions of paragraph 7 will be taken under your control pending directions as to its eventual disposition.

8. Prisoners of War, United Nations Nationals, Neutrals, and Other Persons

a. You will insure that prisoners of war and displaced persons of the United Nations are cared for and repatriated.

b. Nationals of neutral countries will be required to register with the appropriate military authorities. They may be repatriated under such regulations as you may establish. However, all nationals of neutral nations who have actively participated in any way in the war against one of the United Nations will be arrested for dispositions in conformity with later instructions. Nationals of neutral nations will be accorded no special privileges of communications or business relationships with their home countries or people resident outside Japan. The persons, archives and property of diplomatic consular officials of neutrals will be accorded full protection.

c. All civilians who are nationals of the United Nations, resident or interned in Japan will be identified, examined closely, and if you deem it advisable, may be placed in custody or restricted residence. All such nationals who fall within the provisions of paragraph 7 b above shall be arrested and held as suspected war criminals. All other United Nations nationals who have actively participated in any way in the war against one or more of the United Nations will be arrested and held for later disposition. Thereafter, they will be dealt with in accordance with instructions to be furnished you. In general, practical measures will be taken to insure the health and welfare of United Nations nationals.

d. You will treat Formosan-Chinese and Koreans as liberated peoples in so far as military security permits. They are not included in the term "Japanese" as used in this directive but they have been Japanese subjects and may be treated by you, in case of necessity, as enemy nationals. They may be repatriated, if they so desire, under such regulations as you may establish. However, priority will be given to the repatriation of nationals of the United Nations.

e. Within such limits as are imposed by the military situation, you should take all reasonable steps necessary to preserve and protect the property of the United Nations and their nationals.

9. Political Activity

a. The dissemination of Japanese militaristic and ultra-nationalistic ideology and propaganda in any form will be prohibited and completely suppressed. You will require the Japanese Government to cease financial and other support of National Shinto establishments.

b. You will establish such minimum control and censorship of civilian

communications including the mails, wireless, radio, telephone, telegraph and cables, films and press as may be necessary in the interests of military security and the accomplishment of the purposes set forth in this directive. Freedom of thought will be fostered by the dissemination of democratic ideals and principles through all available media of public information.

c. You will immediately place under control all existing political parties, organizations and societies. Those whose activities are consistent with the requirements of the military occupation and its objectives should be encouraged. Those whose activities are inconsistent with such requirements and objectives should be abolished. Subject to the necessity of maintaining the security of the occupying forces, the formation and activities of democratic political parties with rights of assembly and public discussion will be encouraged. Free elections of representative local governments should be held at the earliest practicable date, and at the regional and national levels as directed, after consideration of your recommendation, through the Joint Chiefs of Staff. Your action in connection with the program referred to in this subparagraph should be taken in the light of one of the ultimate objectives of the occupation, the establishment, in accordance with the freely expressed will of the Japanese people, of a peacefully inclined and responsible government.

d. Encouragement will be given to the development of democratic organizations in labor, industry and agriculture.

e. Freedom of religious worship shall be proclaimed promptly by the Japanese Government. To the extent that the security of your military occupation and the attainment of its objectives are not prejudiced and subject to paragraph 9 a and c. above, you will insure freedom of opinion, speech, press and assembly.

10. Education, Arts, and Archives

a. As soon as practicable educational institutions will be reopened. As rapidly as possible, all teachers who have been active exponents of militant nationalism and aggression and those who continue actively to oppose the purposes of the military occupation will be replaced by acceptable and qualified successors. Japanese military and para-military training and drill in all schools will be forbidden. You will assure that curricula acceptable to you are employed in all schools and that they include the concepts indicated in paragraph 3 a above.

b. You should cause to be preserved for your information and use the records of all governmental and quasi-governmental, important private financial, industrial, manufacturing and business concerns, and the Japanese organizations referred to in paragraph 5 f above.

c. You will, so far as practicable, cause to be protected and preserved, all historical, cultural and religious objects, against depredations by the occupational forces, or others.

PART II

A. ECONOMIC

Objectives and General Basic Principles

11. The policies of the American Government in regard to the economic affairs of Japan during the period of occupation are intended simultaneously to accomplish the following purposes:

- a. To eliminate existing specialized facilities for the production of arms, munitions, or implements of war of any kind.
- b. To destroy the economic ability of Japan to create or support any armaments dangerous to international peace.
- c. To execute such program of reparations and restitution as may be decided upon by the appropriate Allied authorities.
- d. To encourage the development within Japan of economic ways and institutions of a type that will contribute to the growth of peaceful and democratic forces in Japan.
- e. To supervise and guide the operation of Japanese economic arrangements and operations to assure that they conform to the general purposes of the occupation, and make possible the eventual readmission of Japan to the ranks of peaceful trading nations.

The instructions composing the economic part of the directive are intended to advance these objectives during the first and immediate period of occupation that lies ahead; they will be subject to addition and revision in the light of the circumstances which you encounter and the conduct of the Japanese people.

12. Your supreme authority as Supreme Commander for the Allied Powers in Japan will extend to all matters in the economic sphere. In the exercise of that authority, to the extent that the accomplishment of your objectives permits, you will use the services of the Emperor and the machinery of the Japanese Government to accomplish your objectives. You will require them to carry out your orders, and to make such changes in the administrative organization of those branches of government concerned with economic matters as may seem to you necessary to carry out your objectives.

You should act directly:

- a. If because of the very nature of the task action through Japanese authorities will not effectively accomplish your economic objectives.
- b. In the event that operation through the Japanese Government clearly fails in any particular phase of your operations to prove a satisfactory method.

In acting directly, you will establish administrative machinery independent of and superior to the Japanese officials and agencies to execute or assure the execution of

the economic measures contained in this directive until such time as you may deem that the tasks can be satisfactorily assigned to the Japanese Governmental authorities.

13. You will not assume any responsibility for the economic rehabilitation of Japan or the strengthening of the Japanese economy. You will make it clear to the Japanese people that:

a. You assume no obligations to maintain, or have maintained, any particular standard of living in Japan, and

b. That the standard of living will depend upon the thoroughness with which Japan rids itself of all militaristic ambitions, redirects the use of its human and natural resources wholly and solely for purposes of peaceful living, administers adequate economic and financial controls, and cooperates with the occupying forces and the governments they represent.

It is not the policy of the United States to prevent the eventual achievement by Japanese working effort and resources of conditions of living in Japan consistent with objectives specified in paragraph 11.

Economic Disarmament

14. In order to effect the economic disarmament of Japan

a. You will stop immediately and prevent the future production, acquisition, development, maintenance, or use of all arms, ammunitions, and other implements of war; naval vessels; all types of aircraft including those designed for civilian use; and all parts, components, and materials especially designed for incorporation in any of the foregoing.

b. You will take such measures as you deem necessary to safeguard the facilities used or intended for use in the production or maintenance of any of the items above mentioned. Pending further instructions as to their ultimate disposition such facilities are not to be destroyed except in emergency situations.

c. You will not postpone the enforcement of the prohibitory program specified in subparagraph a or carrying out instructions that you will receive pursuant to subparagraph b without specific approval through the Joint Chiefs of Staffs. Should you, however, find that production of any of the items enumerated in subparagraph a is essential to meet your requirements for military operations, the occupying forces, or temporary military research, you will make suitable recommendations to the Joint Chiefs of Staff; and pending the decision of the Joint Chiefs of Staff, you are authorized to make arrangements for production to the minimum extent necessary therefor.

15. Instructions which will be subsequently transmitted to you for carrying out programs for economic disarmament, reparations and restitution will involve the reduction or elimination of certain branches of Japanese production, such as iron, steel, chemicals, non-ferrous metals, aluminum, magnesium, synthetic rubber, synthetic oil, machine tools, radio, and electrical equipment, automotive vehicles,

merchant ships, heavy machines, and important parts thereof.

Pending, however, final and specific decision on these matters, you will permit continued production in these industries and the repair of production facilities to the minimum extent required to meet the needs of the occupation forces, and the minimum peaceful requirements of the populations.

You will make clear to the Japanese that any permission to continue production or to repair production facilities is granted without prejudice to final decisions, as to either the limitations that may be imposed upon any branch of the Japanese economy or deliveries which may be required as reparations or restitution.

16. You may also permit the conversion of plant and equipment, including those types mentioned in paragraphs 14 and 15, to the production of essential consumer goods.

You will satisfy yourself that any such conversion undertaken is a genuine move towards a peaceful economy and not a disguised attempt to preserve capacity to produce for military purposes.

You will also make clear to the Japanese that any such permission to convert is granted without prejudice to subsequent decisions as regards removal of plant or equipment on account of reparations or restitution or scrapping for security reasons under paragraph 11.

17. You will

a. Immediately establish a system of inspection, and control to insure that production of the type forbidden in paragraphs 14 and 15 is not undertaken in concealed or disguised form.

b. Have prepared as rapidly as possible inventory reports upon all significant facilities that have been producing or are intended to produce the products covered in paragraph 14, and in all the industries specifically mentioned in paragraph 15. These reports should specify the condition and capacity of plant and equipment and the extent of raw materials stocked, finished goods, and goods in process. You will also inventory the Japanese merchant fleet.

In order to furnish the information necessary for further decisions concerning economic policy you will communicate these reports to the Joint Chiefs of Staff.

c. Develop and recommend to the Joint Chiefs of Staff controls which will prevent Japanese rearmament after termination of your occupation.

18. You will insure that all laboratories, research institutes, and similar technological organizations are closed immediately except those you deem necessary to the purposes of the occupation. You will provide for the maintenance and security of physical facilities thereof when deemed necessary, and for the detention of such personnel as are of interest to your technological or counter-intelligence investigations. You will at once investigate the character of the study and research conducted in such closed organizations and as rapidly as possible permit the resumption of those forms of study and research that have an obviously peaceful purpose under appropriate regulations which (1) define the specific type of research

permitted, (2) provide for frequent inspection, (3) require free disclosure to you of the results of the research, and (4) impose severe penalties, including permanent closure of the offending institution whenever the regulations are violated.

The Operation of the Japanese Economic System

19. The Japanese authorities will be expected to develop and effectively carry out programs of working activity that will enable them out of their own resources and labor to accomplish the following:

- a. To avoid acute economic distress.
- b. To assure just and impartial distribution of available supplies.
- c. To meet your demands for the needs of the occupying forces.
- d. To meet the requirements for such reparations deliveries as may be agreed upon by the Allied Governments.

In order to achieve these aims, the Japanese authorities will have to make the utmost effort to maximize production of agricultural and fishery products, coal, charcoal, housing repair materials, clothing and other essentials. In the event that they fail to do so, you will direct them to take such measures as in your judgment are necessary.

20. You will require the Japanese authorities to provide goods and services to meet the needs of the occupying forces to the extent that this can be effected without causing starvation, widespread disease and acute physical distress.

21. The Japanese authorities shall be permitted on their own responsibility to establish and administer any controls over economic activities that are appropriate or necessary in order to achieve the economic ends specified in paragraph 19. Both the policy and the administration of these controls shall be subject to your approval and supervision particularly in so far as they may conflict with paragraph 15. This paragraph shall not preclude your taking direct action as provided in paragraph 12.

22. Serious inflation will substantially retard the accomplishment of the ultimate objectives of the occupation. You will, therefore, direct the Japanese authorities to make every feasible effort to avoid such inflation. However, prevention or restraint of inflation shall not constitute a reason for limiting the removal, destruction, or curtailment of productive facilities in fulfillment of programs for reparations, restitution, demilitarization, or economic disarmament.

Elimination of Certain Elements in the Japanese Economic System

23. You will prohibit the retention in or selection for positions of important responsibility or influence in industry, finance, commerce, or agriculture of all persons who have been active exponents of militant nationalism and aggression, of those who have actively participated in the organizations enumerated in paragraph 5 g (page 141, Political and General Part) of this directive, and of any who do not direct future Japanese economic effort solely towards peaceful ends. (In the absence of evidence, satisfactory to you, to the contrary, you will assume that any persons who

have held key positions of high responsibility since 1937, in industry, finance, commerce or agriculture have been active exponents of militant nationalism and aggression.)

24. You will require the protection from destruction and the maintenance for such disposition as may be determined by this and other directives of all plants, equipment, patents, books and records and all other significant property of the large Japanese industrial and financial companies and trade and research associations that have played an important part in the Japanese war effort or economy.

Democratization of Japanese Economic Institutions

25. It is the intent of the United States Government to encourage and show favor to:

- a. Policies which permit a wide distribution of income and of ownership of the means of production and trade.
- b. The development of organizations in labor, industry, and agriculture organized on a democratic basis.

Accordingly, you will:

- (1) Require the Japanese to establish a public agency responsible for reorganizing Japanese business in accordance with the military and economic objectives of your government. You will require this agency to submit, for approval by you, plans for dissolving large Japanese industrial and banking combines or other large concentrations of private business control.
- (2) Establish and maintain surveillance, until satisfactory plans for reorganization have been approved, over the Japanese businesses described in subparagraph (1) above in order to ensure conformity with the military and economic objective of your government.
- (3) Dissolve the Control Associations. Any necessary public function previously performed by these associations should be transferred to public agencies, approved and supervised by you.
- (4) Abrogate all legislative or administrative measures which limit free entry of firms into industries to be reorganized where the purpose or effect of such measures is to foster and strengthen private monopoly.
- (5) Terminate and prohibit all Japanese participation in private international cartels or other restrictive private international contracts or arrangements.
- (6) Require the Japanese to remove, as rapidly as practicable, wartime controls over labor and reinstate protective labor legislation.
- (7) Require the removal of all legal hindrances to the formation of organizations of employees along democratic lines, subject to any necessary safeguards to prevent the perpetuation of militaristic influences under any guise or the continuation of any group hostile to the objectives and operations of the occupying forces.
- (8) Prevent or prohibit strikes or other work stoppages only when you consider that these would interfere with military operations or directly endanger the security of the

occupying forces.

Foreign Economic Transactions

26. You will establish controls over all Japanese foreign trade in goods and services. Such controls should be so operated as to give effect during the initial period to the following policies:

- a. Exports shall not be approved if such goods are clearly needed to meet minimum domestic requirements.
- b. No exports of plant and equipment shall be permitted until determination has been made as to whether they may be required for reparations or restitution.
- c. Exports other than those directed to be shipped on reparation account or as restitution may be made only to those recipients who agree to provide necessary imports in exchange or agree to pay for such exports in foreign exchange.
- d. All proceeds of exports shall be controlled by you and made available in the first place for the payment for approved imports. No person, corporation or organization in Japan shall be permitted to acquire foreign assets of any kind except with your special approval.
- e. Approval should be given only to imports which are clearly in accord with the economic policies elsewhere set down in this directive.
- f. Neither the need for imports or exports (including exports that might be made on reparations account) shall be deemed a reason for requiring or permitting any branch of Japanese industry to be restored or developed to an extent that might significantly contribute to Japan's war-making potential, or promote dependence by other countries on Japan for strategic products.

27. The Japanese authorities are to enter into no economic agreements of any kind with foreign governments or interests except after prior consultation with you by your express approval. Any such proposed agreements should be submitted to the Joint Chiefs of Staff for their consideration.

Reparations and Restitutions

28. You will assure the execution of programs of reparations in kind and of restitution of identifiable looted property in accordance with decisions of the appropriate Allied authorities transmitted to you by the Joint Chiefs of Staff. Reparations will be accomplished:

- a. Through the transfer of Japanese property located outside of the territories to be retained by Japan;
- b. Through the transfer from Japan of goods, existing plant, equipment, and facilities that are not necessary to the operation of a peaceful Japanese economy, or the supplying of the occupying forces.

All requests received by you, for reparations or restitution from the United Nations which have been victims of Japanese aggression will be reported with your

recommendations to the Joint Chiefs of Staff.

B. CIVILIAN SUPPLY AND RELIEF

Civilian Supply Policy and Standard of Provision

29. a. You will assure that all practicable economic and police measures are taken to achieve the maximum utilization of essential Japanese resources in order that imports into Japan may be strictly limited. Such measures will include production and price controls, rationing, control of black markets, fiscal and financial controls and other measures directed toward full employment of resources, facilities and means available in Japan.

b. You will be responsible for providing imported supplies only to supplement local resources and only to the extent supplementation is needed to prevent such widespread disease or civil unrest as would endanger the occupying forces or interfere with military operations. Such imports will be confined to minimum quantities of food, fuel, medical and sanitary supplies and other essential items, including those which will enable local production of such supplies which you would otherwise have to import.

c. Supplies necessary to be imported under paragraph 29 b above will be obtained to the extent possible from surpluses available from other Asiatic and Pacific Ocean areas. To the extent that such surpluses are available in areas under the jurisdiction of other United States commanders, arrangements may be made by you directly with such other commanders. To the extent that such surpluses are available in areas under the jurisdiction of governments other than the United States, or the military commanders of such governments, negotiations necessary to obtain such surpluses will be conducted by or with approval of local United States diplomatic representatives in the areas in question. In the event such diplomatic representatives are not available, you will report the situation, with your recommendations to the Joint Chiefs of Staff.

d. If you deem that you should assume responsibility for additional imports to accomplish the objectives of your occupation, you will submit your recommendations to the Joint Chiefs of Staff.

Methods and Conditions of Distribution

30. You will require that all practicable steps be taken to assure the fair and equitable distribution of supplies under uniform ration scales.

31. To the maximum extent consistent with military expediency, imported supplies for the civilian population should, in so far as practicable and desirable, be delivered to such Japanese public supply agencies or other consignees as are acceptable to you and under your direct supervision or control. Whenever possible, such deliveries will be at ports of entry, but if necessary, deliveries may take place at appropriate inland centers

of distribution.

32. You may make sales directly to wholesalers or other commercial dealers in the event that no satisfactory public supply agency exists or that operational or other reasons render distribution of civilian supplies through such an agency impracticable. In order to limit direct provision and distribution of supplies by you to the civilian population, you should assure that the Japanese do not unnecessarily involve the occupying forces in such responsibility. Such direct sales by you as are necessary will be paid for by the purchaser in local currency at prices determined by you to be consistent with the internal economy.

33. Supplies delivered to supply agencies or other consignees will be sold by them through distribution channels and in accordance with distribution policies satisfactory to you and at prices determined by you to be consistent with the internal economy. When military necessity requires, civilian supplies may be made the subject of direct relief issue by you or by supply agencies under your supervision or control.

PART III

FINANCIAL

34. In the financial field you will make full application of the principles stated elsewhere in this directive, acting through the Japanese Government to the extent that effective execution of the policies and programs hereinafter enumerated will permit, but establishing administrative machinery not dependent upon Japanese authorities and agencies to the extent necessary to execute or assure the effective execution of such policies and programs. You are specifically directed to establish such independent administrative machinery in order to execute or assure the effective execution of the provisions of paragraphs 40, 41, 45, 46 and 47 of this directive.

35. Japanese financial organizations and the public finance system will be expected to function on the basis of Japanese resources. You will take no steps designed to maintain, strengthen, or operate the Japanese financial structure except in so far as may be necessary for the purposes specified in this directive.

36. You may authorize or require the Bank of Japan or any other bank or agency to issue bank notes and currency which will be legal tender; without such authorization no Japanese governmental or private bank or agency will be permitted to issue bank notes or currency.

37. You will require the Japanese authorities to make available to you legal tender yen notes or yen credits free of cost and in amounts sufficient to meet all expenses of your forces including the costs of your military occupation.

38. a. In the event that for any reason adequate supplies of regular legal tender yen

notes are not available you will use supplemental military yen (Type "B") issued pursuant to military proclamation. Supplemental yen will be declared legal tender and will be interchangeable at par without distinction with other legal tender yen currency.

b. Regular yen currency will include currencies which are now legal tender in the area.

c. Japanese military yen issued for circulation in territories occupied by the Japanese will not be legal tender and will not be acceptable nor interchangeable with supplemental yen or regular yen currencies.

39. You will not announce, establish or permit the use or publication, until receipt of further instructions, of any general rate of exchange between the Japanese yen on the one hand the U. S. dollar and other currencies on the other. However, a rate of conversion to be used exclusively for pay of military and naval personnel and for military and naval accounting purposes, namely 15 regular or supplemental yen equal one U. S. dollar, has already been communicated to you.

40. You will remove and exclude from positions of important responsibility or influence in all public and private financial institutions, agencies or organizations all persons who have been active exponents of militant nationalism and aggression or who actively participated in the organizations enumerated in paragraph 7 of this directive. It may be generally assumed in absence of evidence to the contrary that any persons who have held key positions in any such institutions, agencies, or organizations are active exponents of militant nationalism and aggression. You will also prevent the retention in or selection for places of importance in the financial field of individuals who do not direct future financial effort solely towards peaceful ends.

41. You will close and not allow to reopen banks and other financial institutions whose paramount purpose has been the financing of war production or the mobilization or control of financial resources in colonial or Japanese occupied territories.

These include:

a. The Wartime Finance Bank,

b. The National Financial Control Association and its member control associations,

c. Offices, in the area, of the Bank of Chosen and the Bank of Taiwan,

d. The various banks and development companies whose fields of operation have been outside Japan proper such as the Southern Development Company, the Southern Development Company Bank and the Tokyo offices of the Central Bank of Manchu, Bank of Mongolia, Federal Reserve Bank of China, and Central Reserve Bank of China. You will take custody of all the books and records of these banks and other institutions.

42. You are authorized to take such financial measures as you may deem necessary to accomplish the objective of your military occupation, specifically including, without limitation, the following:

- a. Close banks, other than those indicated in paragraph 41 above, only where clearly necessary for the purposes of introducing satisfactory control, removing objectionable personnel and taking measures to effectuate the program for the blocking of certain accounts and transfers or the determination of accounts to be blocked or for other reasons of military necessity. You should reopen any banks so closed except those indicated in paragraph 41 above, as promptly, as is consistent with the accomplishment of the foregoing purposes;
- b. Prohibit, or regulate transfers or other dealings in private or public securities or real estate or other property;
- c. Establish a general or limited moratorium or moratoria only to the extent clearly necessary to carry out the objectives of your military occupation;
- d. Close stock exchanges, insurance companies and similar financial institutions for such periods as you deem appropriate.

43. You will prohibit the payment of:

- a. All military pensions, or other emoluments or benefits, except compensation for physical disability limiting the recipient's ability to work, at rates which are no higher than the lowest of those for comparable physical disability arising from non-military causes;
- b. All public or private pensions or other emoluments or benefits granted or conferred:
 - (1) By reason of membership in or services to the Political Association of Great Japan, the Imperial Rule Assistance Association (Taisei Yokusankai), the Imperial Rule Assistance Political Society (Taisei Seijikai), their affiliates and agencies or any successor or similar organizations, and all Japanese nationalistic terroristic and secret patriotic societies and their agencies and affiliates.
 - (2) To any person who has been removed from an office or position in accordance with paragraphs 5 or 40 of this directive,
 - (3) To any person interned in accordance with paragraph 7 of this directive, during the term of his internment, or permanently in case of his subsequent conviction.

44. a. Any laws, ordinances and regulations or practices relating to taxation or other fields of finance which tend to discriminate for or against any person because of nationality, race, creed or political opinion will be amended, suspended or abrogated to the extent necessary to eliminate such discrimination. The collection of contributions of any kind for nationalistic, imperialistic, militaristic, or anti-democratic societies of any kind will be prohibited.

b. You will insure that Japanese public expenditures are consistent with the objectives

stated elsewhere in this directive.

45. You will impound or block all gold, silver, platinum, currencies, securities, accounts in financial institutions, credits, valuable papers and all other assets within the categories listed below:

a. Property owned or controlled directly or indirectly, in whole or in part, by any of the following:

- (1) The Japanese national, prefectural and local governments, or any agency or instrumentality of any of them, including all utilities, undertakings, public corporations or monopolies under the control of any of the above;
- (2) The Governments, nationals, or residents of Germany, Italy, Bulgaria, Rumania and Hungary, including those of territories formerly occupied by them and by Japan;
- (3) The Japanese Imperial Household;
- (4) The Political Association of Great Japan, the Imperial Rule Assistance Association, the Imperial Rule Assistance Political Society, their affiliates and agencies or any successor or similar organizations, and all Japanese nationalistic, terroristic and secret patriotic societies, agencies and affiliates and their officials, leading members and supporters;
- (5) The National Shinto;
- (6) All organizations, clubs or other associations prohibited or dissolved by you;
- (7) Absentee owners of non-Japanese nationality including United Nations and neutral governments and Japanese outside of Japan;
- (8) Any person or concern in any area under Japanese control at any time since 1894, except the islands of Honshu, Hokkaido, Kyushu, Shikoku and whatever minor islands are left to Japan;
- (9) Persons subject to internment under provisions of paragraph 7, and all other persons specified by Military Government by inclusion in lists or otherwise.

b. All Japanese (public and private) foreign exchange and external assets of every kind and description located within or outside Japan.

c. Property which has been the subject of transfer under duress, wrongful acts of confiscation, dispossession or spoliation, whether pursuant to legislation or by procedure purporting to follow forms of law or otherwise.

d. Works of art of cultural or material value of importance, regardless of ownership.

You will take such action as will insure that any impounded or blocked assets will be dealt with only as permitted under licenses or other instructions which you may issue. In the case particularly of property blocked under a (1) above, you will proceed to adopt licensing measures which will maintaining such property under surveillance permit its use by you or by the licenses in consonance with this directive. In the case of property blocked under c above, you will institute measures for prompt restitution,

in conformity with the objectives of this directive and subject to appropriate safeguards to prevent the cloaking of militaristic and other undesirable influence. You will require from the Japanese Government such reports as you deem necessary to obtain full disclosure of all assets mentioned in b above.

46. You will seek out and reduce to the possession or control of a special agency established by you within your command all Japanese (public and private) foreign exchange and external assets of every kind and description located within or outside Japan.

47. All foreign exchange transactions, including those arising out of exports and imports, will be controlled with the aim of preventing Japan from developing a war potential and of achieving the other objectives set forth in this directive. To effectuate these purposes, you will:

a. Prohibit, except as authorized by regulation or license, all dealings in gold, silver, platinum, foreign exchange, and all foreign exchange transactions of any kind.

b. Make available any foreign exchange proceeds of exports for payment of imports directly necessary to the accomplishment of the objectives of this directive, and authorize no other outlay of foreign exchange assets without specific approval of your government through the Joint Chiefs of Staff.

c. Establish effective controls with respect to all foreign exchange transactions, including:

(1) Transactions as to property between persons inside Japan and persons outside Japan;

(2) Transactions involving obligations owed by or to become due from any person in Japan to any person outside Japan; and

(3) Transactions involving the importation into or exportation from Japan of any foreign exchange asset or other form of property.

d. You will provide full reports to your government with respect to all Japanese foreign and external assets.

48. No extension of credit to Japan or Japanese by any foreign person, agency or government will be permitted except as may be authorized by your government through the Joint Chiefs of Staff upon your recommendations.

49. It is not anticipated that you will make credits available to the Bank of Japan or any other bank or to any public or private institution. If, in your opinion, such action becomes essential, you may take such emergency actions as you may deem proper, but in any such event, you will report the facts to your government through the Joint Chiefs of Staff.

50. You will maintain such accounts and records as may be necessary to reflect the financial operations of your military occupation and you will provide the Joint Chiefs

of Staff with such information as it may require, including information in connection with the use of currency by your forces, any governmental settlements, occupation costs, and other expenditures arising out of operations or activities involving participation of your forces.