

MacArthur's Proposal for an Early Peace with Japan and the Redirection of Occupation Policy toward Japan

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ONE AND a half years after the end of World War II a major shift in U.S. foreign policy was officially announced. On March 12, 1947, at a joint session of Congress, President Harry S. Truman called for an extension of aid to the governments of Greece and Turkey. To obtain support for this request, Truman stressed the ideological dimension of American diplomacy. In that speech he characterized the existing state of international affairs as a confrontation between two conflicting ways of life, Liberalism and Totalitarianism. He declared that it was the mission of the United States to support the forces of liberalism.¹ Since the end of the War, Truman had faced a strong domestic sentiment for a "return to normalcy," which had made a swift, large-scale demobilization inevitable. Under those circumstances, Truman's efforts to push for the American adoption of an international mission required a dramatic, even sensational presentation. It is probably for this reason that Truman gave such an ideologically charged speech, emphasizing the need to protect the "free world." His call for expansion of the U.S. role in the international scene was a clear indication that the United States was abandoning its wartime diplomatic aims, which had focused on international cooperation within the framework of the United Nations.

The Truman speech was directly concerned with the two countries of

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¹ "President Harry S. Truman's Address Before a Joint Session of Congress, March 12, 1947," Joseph M. Jones, *The Fifteen Weeks* (New York, Chicago, Burlingame, 1955), pp. 269–74.

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Greece and Turkey, but since it was set in the broader context of an ideological mission to support the free world, the speech came to be called the "Truman Doctrine," and was taken as an announcement of a new basic principle of U.S. foreign policy. The speech also stimulated the creation of the term "cold war," which became a general label for subsequent American diplomacy.²

Nevertheless, it would be an exaggeration to assert that Truman's speech led immediately to the establishment of a global American policy. The postwar international scene was too vast for Washington to cope with adequately in a short time. Up until World War II American involvement in international relations was intentionally limited, in keeping with traditional isolationist views. Because of this historical background, the administrative structure and information gathering capacity of the U.S. government were insufficient for formulating appropriate foreign policy in the early postwar years. This was especially apparent in the sphere of American relations with Asia. The United States had had nearly two hundred years of contact with Asia, centering on trade with China, but for most Americans Asia was still veiled in mystery.

On March 17—only five days after the Truman speech—Supreme Commander for the Allied Powers General Douglas MacArthur held a press conference for the first time since assuming his post in Tokyo. Without giving notice beforehand, General MacArthur publicly proposed the conclusion of a peace treaty with Japan within one year. His proposal received front page coverage on the following morning. MacArthur advocated the withdrawal of Allied forces from Japan immediately after the signing of the peace treaty. Thereafter, the country would be placed under the control of the United Nations.³

Obviously, MacArthur promoted peace with Japan from the perspective of wartime U.S. diplomacy. It was natural, therefore, that the relationship of MacArthur's proposal to the Truman Doctrine should become a subject of debate in Washington. A radio-broadcast open debate entitled "Should the U.N. Take Control of Japan as Proposed by

² Tadashi Aruga, "The United States and the Cold War," *Papers* (II) prepared for the International Symposium on the International Environment in Postwar Asia, November 1975, Kyoto, p. 67.

³ SCAP, *Political Reorientation of Japan*, Vol. 2, pp. 756–66; *Asahi Shimbun*, March 18, 1947.

General MacArthur?" focused on the possibilities of cooperation with the Soviet Union over the question of Japan.⁴

MacArthur's proposal itself became a mere historical episode; it was never realized. Nevertheless, it gave an impetus to a shift in Occupation policy toward Japan. Because of the timing of MacArthur's presentation of the proposal, Occupation policy toward Japan was re-evaluated in the general context of international relations. This in turn led to the gradual transfer of Occupation policy decision-making power from the Supreme Commander for the Allied Powers (SCAP) in Tokyo to the Truman administration in Washington. This shift signified that Occupation policy toward Japan was incorporated into U.S. Cold War diplomacy.

This paper seeks to elucidate the relationships between the shift in Occupation policy toward Japan and Cold War diplomacy. To do so, it examines the political process leading to the change in Occupation policy, particularly the role in that process served by MacArthur's proposal.⁵ For a variety of reasons, MacArthur was able to announce, immediately after the proclamation of the Truman Doctrine, a proposal that contradicted the spirit of the doctrine. In addition to the fact that MacArthur followed the guidelines of America's wartime diplomacy, these reasons include MacArthur's personal prestige, his optimistic assessment of the prospects for democratization in Japan, and SCAP's overwhelmingly advantageous position in gathering information about the Japanese political situation. The Truman administration, on the other hand, had almost no sources of information on Japan except SCAP.⁶

The discussion below deals with the political and organizational

⁴ "Your Fight to Say It"—WGN's Public Service Debate Series, April 6, 1947, at 6 P.M. (CST), "Should the UN Take the Control of Japan as Proposed by General MacArthur?" enclosure in a letter from Kenneth Colegrave to Courtney Whitney, April 12, 1947, Record Group (hereafter cited as RG) 331, (Allied Operation and Occupation Headquarters, World War II) (hereafter cited as SCAP) (Box No. 2225), National Archives Depository, Suitland, Maryland.

⁵ Strictly speaking, it is more appropriate to call this process "decision formation process" as distinguished from "decision making process," because this paper examines not a mutual relationship between groups of people with different objectives, but a competitive relationship within groups with the same objective. But since "decision formation process" is not a recognized technical term, I used the term "political process" instead. See Hideo Otake "Seiji sanko to seijiteki eikyō" [Political Participation and Political Influence], in *Senshū hōgaku ronshū*, No. 20, March 1975.

⁶ See Takeshi Igarashi, "Tai-Nichi kōwa no teishō to hankyōkan no isō" [MacArthur's Proposal for a Japanese Peace Treaty and his Anti-Communist Views], in the July 1976 issue of *Kokusai mondai*, pp. 41–59.

factors which conditioned the Truman administration's efforts, prompted by MacArthur's proposal for an early peace, to redirect Occupation policy along the lines of Cold War diplomacy, and to reorganize Washington's communication with SCAP. I hope that this discussion will clarify the political process which led to a shift in Occupation policy toward Japan. It will be apparent that this shift was initiated by Washington.

I

THE TRUMAN ADMINISTRATION'S COLD WAR POSTURE
AND ITS APPROVAL OF THE PROPOSAL FOR PEACE

On March 18, the day after MacArthur's press conference, Undersecretary of State Dean Acheson stated that MacArthur had spoken as the Supreme Commander for the Allied Powers; the State Department, he said, had nothing to do with the proposal.⁷ In other words, MacArthur's proposal not only ran counter to the Truman Doctrine; it was presented without prior consultation with Washington.⁸

At the time when MacArthur made his proposal, the diplomatic apparatus of the Truman administration had just been refurbished. In addition to the announcement of new policy, that is, the "Truman Doctrine," the administration had made major changes in the lineup of the high ranking officials and the organization of the State Department. In order to understand the historical significance of these changes, it might be necessary for us to recall the tradition of American diplomacy, time-honored isolationism. Although the country had begun full-fledged overseas activities at the end of the nineteenth century, resulting in a greatly expanded foreign trade, isolationism continued to impose restrictions on American foreign policy. The effect was to inhibit the emergence of a consistent, coherent foreign policy. Policy changes depended on the nature of individual diplomatic issues and on the personalities of the President and the Secretary of State. Diplomatic initiatives were in the hands of a few people in the highest posts. This

⁷ John H. Hilldring to Howard C. Peterson, May 31, 1947, RG 59, (General Records of Department of State, Decimal File 1945-1949) (hereafter referred to as D/S) 740.0011 PW (Peace), National Archives.

⁸ George Acheson to Secretary of State, March 21, 1947; *Foreign Relations of the United States* (hereafter cited as *FRUS*), 1947, Vol. 6, p. 453.

reduced the role of the State Department as a policy-making body. Moreover, due to budget cuts during the Great Depression, the State Department could not fill some of the vacant diplomatic posts. During and immediately after World War II, it dealt with international relations in a sporadic fashion. Meanwhile, there was a gradual transition in the type of personnel composing the diplomatic corps; "aristocratic" diplomats from upper-class families, such as Joseph C. Grew, were being replaced by professionally-trained bureaucrats of middle-class background, such as George F. Kennan.⁹

Under Franklin D. Roosevelt's wartime presidency, the State Department was excluded from the formulation of foreign policy except for postwar planning. President Roosevelt relied on his brain trust, paying little attention to Secretary of State Cordell Hull and other people in the State Department. In contrast, when Harry S. Truman, who had had little experience in foreign policy as a Senator, took over the presidency a few months after becoming Vice-President, he relied on the advice of diplomatic experts in the State Department, and sought a bipartisan consensus on foreign policy.¹⁰ Thus the role of the State Department in policy formulation was enhanced.

Nevertheless, until the end of 1946, the personal maneuvers of Secretary of State James F. Byrnes, not the role of the State Department itself, was conspicuous in U.S. foreign policy. President Truman soon began to dislike Byrnes' style of diplomacy. Friction between the two statesmen intensified until Byrnes resigned.¹¹ At that point the position of the State Department was further enhanced. Truman, with nearly two years of experience as President, took advantage of Byrnes' resignation to organize his own diplomatic team. He selected George Marshall for the post of the Secretary of State.

In the eyes of Truman, Marshall, who had been the Chief of Staff of the Army during the war, was "the greatest living American."¹² In early 1946, the year before he became the Secretary of State, Marshall was

⁹ See Waldo H. Heinrichs, Jr., "Bureaucracy and Professionalism in the Development of American Career Diplomacy," John Braemen, et al., ed., *Twentieth-Century American Foreign Policy* (Columbus, Ohio, 1971), pp. 187-88.

¹⁰ For difference in diplomatic style and attitude toward the Soviet Union between Roosevelt and Truman, see Earnest R. May, *"Lessons" of the Past* (New York, 1973), pp. 19-51.

¹¹ John L. Gaddis, *The United States and the Origins of the Cold War, 1941-1947* (New York, 1972), p. 283.

¹² Robert H. Ferrell, *George C. Marshall* (New York, 1966), p. 3.

dispatched to China with the mission of unifying the Kuomintang and the Communists into a coalition government. At the outbreak of the Korean War, he was to be appointed the Secretary of Defense. Each time Truman faced a grave diplomatic problem, he used Marshall as "his last resort" by appointing him to an important post.

After Marshall took office as the Secretary of State, the position of the State Department in U.S. foreign policy formulation rose rapidly. But Marshall himself was originally a career soldier, not a trained diplomat. As the Secretary of State he reorganized the administration of the State Department on the model of the Army. In order to upgrade administrative efficiency, he demanded that analyses and options be added to all the reports he received. He helped formulate fundamental principles, but entrusted important substantial decisions to the people in appropriate posts.¹³ This left room for Undersecretary of State Dean Acheson, an experienced diplomat, to take charge of the actual formulation of foreign policy. It was Acheson who played the central role in framing the Truman Doctrine. According to David E. Lilienthal, Dean Acheson was delighted to work with Marshall after having had to keep his views to himself when Byrnes was the Secretary of State.¹⁴ Indeed, the State Department was permitted to make the most of its accumulated diplomatic experience. Marshall also set up the Policy Planning Staff (PPS) in order to systematize U.S. foreign policy. His aim was to establish a diplomatic version of the General Staff Office.

The main diplomatic concern of the Truman administration in 1947 was Europe. When asked to comment on MacArthur's proposal for peace with Japan, Dean Acheson said in effect that the problems arising from the war should be settled first in Europe; that as long as these problems remained unsolved, Washington could not afford to do anything about peace with Japan.¹⁵ The State Department, which had prepared the Truman Doctrine speech during late February and early March, requested through Acheson that the State-War-Navy Coordinating Committee (SWNCC) consider overseas aid not just to Greece and Turkey but also to other parts of the world. A special subcommittee

¹³ Alexander DeConde, "George C. Marshall," Norman A. Graebner, ed., *An Uncertain Tradition* (New York, Toronto, London, 1961), p. 250.

¹⁴ David E. Lilienthal, *The Journals of David E. Lilienthal* (New York, 1964), Vol. 2, pp. 158-59.

¹⁵ *Asahi Shimbun*, March 21, 1947.

was set up under SWNCC in compliance with the request, and the State Department also established its own overseas aid committee.

Initially, little attention was paid to either of these two committees. Marshall returned to Washington from the conference of the Council of Foreign Ministers in Moscow in late April, deeply discouraged about the chances of cooperation with the Soviet Union. He stated over the radio that priority should be given to economic rehabilitation in Europe. Marshall's declaration brought the work of the two committees into the limelight. It is from this work that the Marshall Plan would later emerge. The committees recommended that Germany and Japan be made "workshops" to rehabilitate the economies of Europe and the Far East. Dean Acheson incorporated this recommendation into his famous speech at Cleveland, Mississippi, on May 8, 1947.¹⁶

When dealing with worldwide areas or more than one diplomatic issue at the same time, top-ranking people with the authority to make ultimate diplomatic decisions cannot afford to pay equal attention to each region or problem. Assignment of priorities is inevitable. The special committee of SWNCC considered aid for both Europe and the Far East. Since it was Marshall's policy to give priority to Europe, he and other top ranking officials paid critical attention only to European affairs. The Policy Planning Staff (PPS), established in May, comprising only a few members headed by George F. Kennan, devoted all its energy during May to the formulation of the Marshall Plan. Although it was given the mission to make a systematic examination of global U.S. foreign policy, the PPS did not have enough staff members or enough time to consider any region other than Europe.¹⁷ The PPS finished preparing the Marshall Plan at the end of May, and on June 5 Marshall announced the plan in his commencement speech at Harvard University. Meanwhile, MacArthur's proposal for peace with Japan was put in the hands of the State Department's Office of Far Eastern Affairs (OFEA) for deliberation, and the Office worked on this proposal by itself.

However, because MacArthur made his proposal without prior consultation with the Department of State, the OFEA was not fully prepared for it. Although George Acheson, Jr., political advisor to SCAP, sent a report to the OFEA on the background to MacArthur's proposal, the explanation was judged unsatisfactory. Accordingly, on March 26 the OFEA asked Chief of the Northeast Asian Affairs

¹⁶ J. M. Jones, *op. cit.*, pp. 199–203, 206–10.

¹⁷ George F. Kennan, *Memoirs 1925–1950* (Boston, Toronto, 1967), p. 328 note.

Division Hugh Borton and Special Assistant to the Director of the OFEA Ruth E. Bacon, who were in Tokyo, to inquire into MacArthur's intentions.¹⁸ Within the State Department, some officials feared that MacArthur's proposal would impose restrictions on State Department activities. Having got in touch with Marshall, who was then in Moscow, however, on April 19 Dean Acheson informed SCAP that the State Department would fully respect MacArthur's intentions.¹⁹

When Dean Acheson made this notification, Borton and Bacon had not yet returned to Washington. Apparently Dean Acheson's decision to give the notification was based on a report from George Atcheson that Borton and Bacon had agreed with MacArthur's thinking.²⁰ Marshall approved Dean Acheson's decision. On May 12, the OFEA gave Marshall the results of its study on procedures for convening a conference on a peace settlement with Japan.²¹ Thus MacArthur's proposal was accepted as an established policy of the State Department by mid-May. It should be noted that even by this time Borton and Bacon had not yet returned to Washington. In other words, the State Department accepted MacArthur's proposal before it received any detailed report from Borton and Bacon on whatever impressions they might have gotten from SCAP. To understand this we must take into consideration the relationship between SCAP and the State Department.

An accurate understanding of Japanese political conditions was a basic precondition for concluding a peace with Japan, but communication between SCAP and Washington was limited to the Department of War. The State Department did not even have a channel for direct communications with SCAP diplomatic advisory group. Deprived of other means to obtain information on Japan, the State Department had to judge the Japanese political situation chiefly from information provided by SCAP. But such information might be less important in eliciting the State Department's approval of the proposal for Japanese peace, than personal relations between MacArthur and Marshall. Traditionally, the U.S. Army gives a field commander considerable discretion over the region occupied by his forces. It was on the basis of this

¹⁸ *FRUS*, 1947, Vol. 6, p. 454 note 70.

¹⁹ J. H. Hilldring to H. C. Petersen, March 21, 1947, RG 59, D/S 740.0011 PW (Peace); Dean Acheson to Secretary of State, *FRUS*, 1947, Vol. 6, p. 201; D. Acheson to SCAP, SCAP (Box No. 765).

²⁰ G. Atcheson to Hilldring, April 11, 1947, May 20, 1947, D/S 740.0011 PW (Peace).

²¹ Memorandum by John C. Vincent to Secretary of State, May 12, 1947, *FRUS*, 1947, Vol. 6, p. 458.

tradition that MacArthur protested against Washington's detailed Occupation policy toward Japan when he assumed his post as the Supreme Commander for the Allied Powers.²² During the war, MacArthur was the Supreme Commander of the Southwest Pacific Area; Marshall was the Chief of Staff of the Army in Washington. This old relationship between a field commander and the chief of staff in Washington helps to explain why Marshall respected MacArthur's views about peace with Japan.

When Borton finally got back to Washington, Marshall received his detailed report. The Secretary of State concurred with MacArthur's opinion that priority be given to the opening of a peace conference no matter how tight the schedule might be.²³ About six weeks later, on July 11, at a meeting of the Far Eastern Commission, which adopted a "Basic Post-Surrender Policy toward Japan," Marshall made a verbal proposal for the opening of a preliminary conference on peace with Japan. Marshall's proposal faithfully mirrored MacArthur's; it set the date for the opening of the conference on August 19.²⁴

II

THE FRAMING OF A PEACE TREATY DRAFT AND CRITICISM FROM THE PPS

After Marshall approved MacArthur's proposal for an early peace, the peace conference was put on the agenda of the State Department. However, the OFEA had not yet finished a treaty draft. The drafting process had begun in October 1945, and in June 1946 a treaty draft for Japanese demilitarization, which was intended to be incorporated into the peace treaty draft, had been sent to the governments of Great Britain, China, and the Soviet Union.²⁵ In January 1947, a decision was made to accelerate the draft preparation in anticipation of a peace settlement in the middle of the following year. The next month a team was organized to speed up the draft. Headed by James K. Penfield

²² Douglas MacArthur to George C. Marshall, September 3, 1945, RG 218 (U.S. Joint Chiefs of Staff) (Combined Civil Affairs Committee, Decimal File, Geographical Series) (Box No. 136), National Archives.

²³ General MacArthur's Views on Procedure for Japanese Peace Treaty, May 22, 1947, D/S 740.0011 PW (Peace).

²⁴ Record of Oral Statement on Peace Treaty for Japan, *FRUS*, 1947, Vol. 6, pp. 467-69.

²⁵ Hugh Borton to Vincent, April 18, 1946, Research Program for the Peace Settlement with Japan, March 12, 1946, D/S 740.0011 PW (Peace); Borton to Charles E. Bohlen, August 6, 1947, *FRUS*, 1947, Vol. 6, p. 478.

(Acting Chief of the OFEA), the team included Hugh Borton, Ruth E. Bacon, Edwin M. Martin (Chief of the Division of Japanese and Korean Economic Affairs), Warren S. Hunsberger (Chief of the Japan Research Branch) and John K. Emmerson (Special Assistant to the Chief of the Division of Northeast Asian Affairs). Nevertheless, the treaty draft was still incomplete when MacArthur presented his proposal for an early peace (March 17).²⁶ Two months later it appeared that at the existing rate of progress, the draft could not be completed by September 1 because preparation had been temporarily halted while Borton and others consulted with SCAP.²⁷ But Marshall's proposal to open a peace conference on August 19 quickened the pace of draft preparation. On August 5, only two weeks before the scheduled conference, the team finally finished the draft and entrusted it to appropriate officials for deliberation.

The framers of the treaty received advice and suggestions during the drafting process from both domestic and foreign sources. These reflected two major, opposing approaches: punitive and constructive. By June the constructive approach had become dominant in the American government. It now appeared that there was no longer a conflict between Washington and Tokyo concerning the basic approach to drafting the treaty.²⁸ The draft formulation team led by Penfield was able to carry out the task without external interference.²⁹

The finished draft of eighty-one pages included a preamble, ten chapters containing 56 articles, supplemented by two maps and eight special provisions (including one regarding reparations) which Japan was required to observe in addition to the peace treaty. The ten chapters dealt consecutively with territory, political affairs, war criminals, provisional surveillance and aid, disarmament and demilitarization, war-based claims, property rights and interests, other economic matters, dispute mediation, and concluded with an "epilogue." The chapter on territory specified that Japanese territory included the four major islands (Honshu, Hokkaido, Kyushu and Shikoku), the "Northern Islands," including Kunashiri and Etorofu, and the Ryukyus. The draft chapter on political affairs contained provisions obligating Japan to continue to observe both the guarantee of basic human rights as spelled out in the

²⁶ Stout to Hilldring, January 15, 1947, D/S 740.0011 PW (Peace).

²⁷ Borton to Hilldring, May 20, 1947, *FRUS*, 1947, Vol. 6, p. 459.

²⁸ Hilldring to Atcheson, June 9, 1947, D/S 740.0011 PW (Peace).

²⁹ Borton to Hilldring, May 20, 1947, *FRUS*, 1947, Vol. 6, p. 459.

new Constitution and the ban on ultranationalistic propaganda by government agencies. The draft also provided for a demilitarization treaty valid for 25 years. Provisions included a ban on arms production and the establishment of a supervisory committee composed of ambassadors from the Far Eastern Commission's eleven member countries, who would keep watch on Japan's demilitarization after the peace treaty was concluded. Economic stipulations in the draft treaty included the demand that the Japanese government achieve a self-supporting economy at an early stage and pay the American government for the cost of the Occupation. To achieve those two goals, the treaty draft recommended a limit on personal consumption and the promotion of manufacturing goods for export.³⁰

Judging it premature, the framers of the draft did not include MacArthur's proposal to transfer control of Japan to the United Nations. Although it was said that the general approach for framing the draft was constructive rather than punitive, the draft reflected the existing policy of the Far Eastern Commission in its stipulation on reparations. Thus to some degree, the draft reflected the precepts of wartime American diplomacy, which sought Soviet cooperation in the Far East.

The same can be said of draft provisions concerning Japan's economic reconstruction, which were worked out separately from the peace treaty draft. After returning to Washington from Japan, Hugh Borton reported that one of the major reasons for MacArthur's proposal of an early peace was that, as a result of a suggestion by SCAP's Economic and Scientific Section, he decided in March that economic questions must not be left in the hands of the Japanese government alone.³¹ MacArthur saw an early peace as a means to stimulate a reopening of private trade, which could provide the economic recovery needed to make democratization take root in Japan. In July, taking MacArthur's concern into consideration, SWNCC began in earnest to study ways to promote Japanese economic reconstruction, a subject which had been under review since the spring. By that time the Department of War was already insisting on a constructive approach to reparations, maintaining that if the Far Eastern Commission did not approve that approach, the United States should act alone. Reflecting the position of the Depart-

³⁰ Draft Treaty of Peace with Japan, August 5, 1947, D/S 740.0011 PW (Peace).

³¹ General MacArthur's Views on Procedure for Japanese Peace Treaty, May 22, 1947, D/S 740.0011 PW (Peace).

ment of War, SWNCC took up the "Unilateral Action on Japanese Economic Problems"³² proposal for deliberation. However, the OFEA held on to its earlier position criticizing the idea of making Japan a buffer state against Russia or of making Japan a staunch U.S. ally in the Far East in place of China. For this reason the OFEA opposed the American unilateral policy on Japan's economic reconstruction.³³

In mid-October 1947, the State Department reconfirmed its adherence to the principle of international cooperation. At the end of the month, Maxwell Hamilton, who had been appointed as special assistant to the Secretary of State after his transfer to Washington from Finland to work on the Japan peace treaty, called for suspension of deliberations on the question of unilateral American action. Hamilton maintained that international cooperation was indispensable for the reconstruction of the Japanese economy. Frank R. McCoy, American Representative to the Far Eastern Commission and its Chairman, approved Hamilton's stance.³⁴

Thus the American unilateral action on the economic reconstruction of Japan was delayed. A concept of international cooperation that clearly ran counter to the Truman Doctrine, which put relations with the Soviet Union in the context of a confrontation between Liberalism and Totalitarianism, was still alive in the OFEA. By this time, moreover, the Marshall Plan had already been announced. In the Korean peninsula, the United States had taken measures in the summer of 1946 to establish the 38th parallel as a de facto dividing line between North and South Korea, because efforts to cooperate with the Russians on matters affecting the whole peninsula had broken down.³⁵ Thus the Far East seemed no longer free from U.S.-Soviet confrontation. The OFEA, which dealt with all of East Asia, was aware of the developments in the Korean peninsula. Nevertheless, the OFEA retained its position that peace with Japan should be concluded through a cooperative international effort, and therefore we can assume that the OFEA continued to see cooperation with the Soviet Union on the issue of peace with Japan as a real possibility.

³² SWNCC 380, Unilateral Action on Japanese Economic Problems, July 22, 1947, SWNCC Papers, National Archives.

³³ Martin to Hilldring, March 21, 1947, *FRUS*, 1947, Vol. 6, p. 187.

³⁴ SWNCC 380/1, October 13, 1947, Maxwell M. Hamilton to Saltzman, October 19, 1947, SWNCC Papers.

³⁵ "New U.S. Policy to Give Vote to South Koreans," *New York Herald Tribune*, July 6, 1946.

A report by John K. Emmerson, who participated in the framing of the peace treaty draft, provides a clue to how the OFEA viewed the Soviet Union and what kind of view the peace treaty draft was based on regarding the Russians. Emmerson was one of the few persons left at the State Department who had lived in Japan as a foreign service officer for an extended period; Joseph C. Grew and other "Japan hands" had retired. His expertise was further enhanced by the fact that he had been on the staff of the advisory council for SCAP until February 1946. He was probably more knowledgeable about current conditions in Japan than any other member of the team which had prepared the peace treaty draft. The first indication of Emmerson's views on the Soviet role in the Far East is a report he wrote in February 1945. His report was a systematic discussion of likely developments in the Far East after the war. It included a comparison of Soviet policy with that of the Chinese Communist party (CCP). Emmerson maintained that while the ultimate goal of the CCP was undoubtedly to communize both China and Japan, Soviet policy was exceedingly realistic. He stated that although the Soviet Union wanted to see most of China communized, it would not be dissatisfied if Japan became a "bourgeois democracy." Emmerson felt that the Soviet Union would interfere with neither China nor Japan.³⁶

Emmerson did not alter this opinion even after circumstances changed in the Korean peninsula. In October 1946, as vice-chief of the Section of Japanese Affairs, he was asked to give his opinion on whether Japan would be inclined toward the United States or toward the Soviet Union. Emmerson judged that the Soviets were unlikely to bring Japan under their control by force, and stated that the danger of Japan becoming communist should not be overemphasized. He concluded that the best way to make Japan pro-American was to carry out the existing reform program and to promote a movement for liberalism.³⁷ This conclusion was reinforced by the results of the House of Representatives election in Japan in April 1947. In the election the Socialist party ranked first, and the moderately right-of-center Democratic party placed third. The Communist party had expected to increase its share of Diet seats, but failed to do so. A report by the Division of Northeast Asian Affairs judged that moderates of both the left and the right did better than their

³⁶ John K. Emmerson, "Communism and the Future of Japan," February 16, 1945, D/S 740.00 P.W.

³⁷ Memorandum by Emmerson, October 9, 1946, *FRUS*, 1946, Vol. 8, pp. 337-39.

more extreme colleagues and emerged stronger from the election. The report welcomed the growing power of middle-of-the-roaders.³⁸

Emmerson's recommendation of a liberalistic reform program was further echoed in a document prepared along with the peace treaty draft as a survey of past Occupation policy as well as a guideline for drafting the treaty. This document contained a recommendation that the reform program begun by the Occupation forces be continued with special attention to the promotion of labor movements. It also warned that the United States should not unnecessarily antagonize the other member countries of the Far Eastern Commission by stressing Japan's economic rehabilitation.³⁹ The treaty draft, prepared under the leadership of Penfield, exhibited a desire both to promote Japan's democratization and to preserve international cooperation.

On August 12, one week after the treaty draft was circulated among concerned U.S. government offices, strong criticism of the document was made by the PPS. PPS Director George F. Kennan sent a written note to Robert Lovett, who had taken over as the Undersecretary of State from Dean Acheson on July 1 after a one-month transitional period. Kennan admitted that the PPS had not made a close study of Japan and the Pacific region, but he criticized the peace treaty draft for its unrealistic detachment from the general objectives of his concepts of U.S. foreign policy.⁴⁰ His criticism was based on a report he had received the previous day from John P. Davies, Jr., a PPS staff member, who had studied the treaty draft. Davies maintained that the major U.S. objective in Japan was to integrate a stable Japan into a Pacific regional economic zone friendly to the United States. This in turn would make Japan a reliable U.S. ally, willing to take concerted action with the United States in time of emergency. Davies declared that the treaty draft seemed to contradict these goals at several points.⁴¹

Davies felt that the biggest problem was that the treaty draft sought to implement thorough demilitarization and democratization in Japan under international supervision, which would involve Soviet participation. Davies stated that there was almost no chance that Japan would regain its status as a major military power, and therefore the de-

³⁸ Memorandum by J.M. Allison to Vincent, April 29, 1947, *ibid.*, 1947, Vol. 6, p. 205.

³⁹ H. Owen to E. Martin, June 11, 1947, D/S 740.00119 Control (Japan), National Archives.

⁴⁰ Kennan to Robert Lovett, August 14, 1947, *FRUS*, 1947, Vol. 6, p. 487.

⁴¹ John P. Davies, Jr. to Kennan, August 11, 1947, *ibid.*, pp. 485-86.

militarization of Japan was no longer an important issue. He warned that it was naive to believe that an international supervisory body that included the Soviet Union would push democratization; on the contrary, Davies warned, the Soviets, taking advantage of such an organization, would seek to inflame Japanese distrust of America and manipulate Japan into adopting a totalitarian system. If a lightly armed police force alone were left in charge of maintaining public peace and order after the withdrawal of the Occupation troops, it would be easy to topple the Japanese government in an attempt to establish such a system.⁴² This report by Davies struck a responsive chord in Kennan, who immediately sent his warning to Lovett.

The PPS judgment reflects the fact that Kennan and Davies categorically ruled out any possibility of cooperation with the Soviet Union on Japan, a position that directly contradicted the views of the OFEA. Their opinion, as Kennan honestly admitted in his written note to Lovett, was not based on any deep understanding of the Pacific region.⁴³ In fact, Kennan and Davies had almost no concrete knowledge of circumstances in Japan or of Soviet activities concerning Japan. Nevertheless, both Kennan and Davies had earlier, on different occasions, commented on and warned against the activities of the Japan Communist party (JCP). In September 1945 Kennan, then in Moscow, received a report from Rome concerning the presence of Japanese communists in Yen'an. Kennan admitted that the U.S. embassy in Moscow had not confirmed the information, but he foretold that the JCP would be forced into a dilemma between its own aims and Soviet directives.⁴⁴

Davies also discussed the JCP in relatively long telegrams from Moscow twice in 1946. Davies maintained that the Russians sought to exert an overwhelming influence in Japan. He stated that their short-term objective was to criticize American Occupation policy at the Allied Council for Japan and the Far Eastern Commission, and that their long-term goal was to use the JCP as a Trojan horse to bring Japan under Soviet control. For this reason, Davies reasoned, there was a good possibility that Japan would be placed under the control of the Soviet Union after American troops withdrew. To forestall this possibility, Davies concluded, the United States should fight the expansion of the

⁴² *Ibid.*

⁴³ Kennan to Lovett, *ibid.*, p. 487.

⁴⁴ Kennan to James F. Byrnes, September 22, 1945, D/S 740.0011 PW

JCP by encouraging economic rehabilitation and liberalism in Japan.⁴⁵

Clearly, Kennan and Davies both looked at Japan from a Moscow-centered point of view, which led them to pay special attention to the issue of Japan's possible communization. Their view of Soviet-Japanese relations was unique, based entirely on the impressions they had of the Soviet Union while stationed in Moscow rather than on any experience with Japan. Yet it was experience in the Soviet Union that gave weight to their views. W. Averell Harriman, who had served as U.S. ambassador to Russia (1943–46), felt that diplomats who had been stationed in Moscow should subsequently serve in the most important diplomatic posts throughout the world.⁴⁶ Kennan and Davies were practitioners of Harriman's view, which we might call the "imperialism" of Soviet affairs experts.

Kennan's and Davies' views on the Soviet Union were not typical of the whole spectrum of American diplomats involved in relations with Moscow. During the war there were two types of diplomatic relations between the United States and the Soviet Union. One was ordinary diplomatic mission; the other related solely to Lend-Lease Act business. The latter type was represented by Harry Hopkins, special advisor to President Franklin D. Roosevelt, and Averell Harriman in the early stages of the war. They were cordially received by the Soviet government, which needed arms aid from America; lend-lease officials had friendly and frank exchanges of opinion with Stalin and other Soviet leaders. When Hopkins was sent to Moscow to prevent the first General Assembly of the United Nations from going on the rocks, Stalin cordially welcomed him. The lend-lease group epitomized America's wartime policy of international cooperation.⁴⁷

The people dispatched to Moscow on ordinary diplomatic missions, however, were not even granted the usual diplomatic privileges. They were constantly watched both within and outside the embassy. The gloomy weather in Moscow contributed to their feelings of depression. Moreover, under the personal diplomacy of President Roosevelt, Washington directly communicated with the Soviet government, which evoked a sense of uselessness among the embassy staff. These conditions

⁴⁵ Memorandum by Davies, August 10, 1946, *FRUS, 1946*, Vol. 8, pp. 285–86; Comments on study prepared by SCAP entitled "Communist Party," September 12, 1946, D/S 740.00119 Control (Japan).

⁴⁶ John F. Melby, *The Mandate of Heaven* (New York, 1971), p. 22.

⁴⁷ See Robert F. Sherwood, *Roosevelt and Hopkins* (New York, 1948) ch. 35.

may help to explain why Harriman became anti-Soviet after taking office as U.S. ambassador to Moscow. As specialists on the Soviet Union, the embassy staff knew what the Soviet government told its citizens, but they had no opportunity to exchange personal views with ordinary Soviet government officials, much less with the Kremlin leaders. They were thus prevented from asking even informally about the intentions behind government propaganda. For them the Soviet Union was a closed society, allowing almost no access to vital information.⁴⁸

In order to understand the policy of the Soviet government, the embassy staff had to rely on "background knowledge" which they gathered through personal experiences in Moscow and studying Russian history and communist ideology. It was under those circumstances that Kennan worked out an 8,000-word report in February 1946. This penetrating, systematic analysis exerted a great deal of influence on the perceptions of the Soviet Union among the leaders of the Truman administration, who had been perplexed and angered by Soviet East European policy since the last stage of the war. Deeply impressed by this report, Secretary of the Navy James V. Forrestal circulated it widely and pushed for Kennan's appointment to a high government post.⁴⁹

In this report, Kennan linked the Soviet propaganda statement that their country was encircled by capitalist nations to the Soviet leaders' uneasy feeling that their position was insecure both at home and abroad. Historically, this mentality was the product of repeated invasions and interference from outside and threats to political authority from within the country. Kennan maintained that the objective of the Kremlin's policy was to erase this perceived instability. The Soviet leaders, he asserted, had an instinctive aversion to compromising with their opponents, whom they sought ultimately to destroy. Communist ideology, according to Kennan, employed altruistic words simply to justify and fortify the siege mentality of the Soviet regime. Kennan thus attributed the Soviet leaders' policy to their sense of insecurity derived from history. The result, he held, was the Kremlin's instinctive distrust of other nations, leading to an expansionist tendency. Kennan was unable to see Soviet policy and ideology as a consequence of realistic, rational considerations by Soviet leaders. His report thus constituted a very

⁴⁸ See John D. Langer, "The Formulation of American Aid Policy Toward the Soviet Union 1940-1943," Ph.D. dissertation, Yale University, 1975.

⁴⁹ Walter Millis, ed., *The Forrestal Diaries* (New York, 1951), pp. 135-40; Lloyd C. Gardner, *Architects of Illusion* (Chicago, 1970), p. 277.

pessimistic assessment of the prospects for forming an international order based on U.S.-Soviet cooperation.⁵⁰

Kennan assumed that the Kremlin leaders would use every possible means to expand their influence in other countries. Toward that end, they would use each country's communist party and labor unions, international agencies such as the United Nations, and various other international organizations. But, unlike the Germans under Hitler, they would not take unnecessary risks. Because they would seek to avoid direct military invasion, America's best defense against Russia was to maintain each nation's stability. To do so Americans would need confidence in themselves and the ability and willingness to contribute to the stability of other nations.⁵¹ To reach a wider audience, Kennan published his views anonymously in the July 1947 issue of the *Foreign Affairs*, stressing the need for taking measures to contain the Soviet Union, which would later be called the "containment policy." Under that label Kennan's views were adopted as official policy by the Truman administration.

There were perhaps several reasons for Kennan's quick, favorable response to Davies's criticism of the OFEA draft. Apart from their close personal relationship, the two diplomats shared a common view of the Soviet Union stemming from their experiences in Moscow. Of greater importance, however, was the fact that Kennan felt the Soviet threat to Japan was real; he assumed that his view of Russian expansionism was universally valid, not only in the regional European context but in the wider global context as well. In any case, the PPS relied solely on its knowledge of the Soviet Union to mount an attack on a treaty draft prepared by Far East specialists within the OFEA on the basis of specific data on Japan.

In fact, the PPS complained to Undersecretary of State Lovett about the treaty draft before bothering to ask the OFEA to clarify its views on the Soviet Union—a marked manifestation of the "imperialism" of the experts on Russia. This action cannot be explained solely as a consequence of the PPS's views of the Soviet Union. There were also bureaucratic reasons why the PPS could successfully "intrude" into the field of Far Eastern policy.

One of the reasons was that by the time the PPS examined the treaty

⁵⁰ "Excerpts from Telegraphic Message from Moscow of February 22, 1946," George F. Kennan, *op. cit.*, pp. 546–59.

⁵¹ *Ibid.*

draft, it had already finished its previously assigned duties and was ready to work on a new task. Established in early May, the PPS was engaged for that month in the preparation of the Marshall Plan; it had more or less completed the task on May 23. The PPS continued to concern itself with European affairs for additional two months, until July 23.⁵² By the time the PPS was handed a copy of the Japanese peace treaty draft on August 5, almost two weeks had elapsed since it completed its work on Europe. By that time, the staff of the PPS must have been rested and ready for a new task.

A more important factor was the position of the PPS within the State Department. In a large bureaucracy, the incentive of a section to be very active on some problem is usually derived not only from the significance of the issue itself, but also from its position within the organization. The PPS had only existed for a few months when the treaty draft was circulated. As a new section within a very large bureaucratic organization, the PPS faced a common "newcomer's" problem: it had to assert itself quickly to secure its independence, and even to assure its existence. The pressing need of the PPS section was to present, forcefully, its *raison d'être*. This was even more urgent because its authority infringed on other sections' authority. As Anthony Downs has pointed out, the requirements for a newly established section to attain independence inside a bureaucracy include, in addition to external support and rapid growth, the presence of "zealots" who can make an impressive display of their section's activities.⁵³ Kennan, who was appointed the director of the PPS at the unusually young age of 42, was such a person, whether or not his zealotness was conscious. His zealot mentality was evident in the frustration he felt when the PPS was no longer able to make recommendations directly to the Secretary of State after Acheson replaced Marshall in that post in 1949.⁵⁴ When Lovett, who was not yet familiar with the Far Eastern situation, received Kennan's vigorous criticism of the peace treaty draft shortly after assuming his post as the Undersecretary of State, he was overwhelmed by Kennan's vehemence, and accepted his opinion.⁵⁵ With Kennan's prodding, the PPS seized the opportunity to make its own full-scale study of the treaty draft.

⁵² *Ibid.*, p. 352.

⁵³ Anthony Downs, *Inside Bureaucracy* (Boston, 1967), pp. 8–10.

⁵⁴ G. Kennan, *op. cit.*, pp. 465–68.

⁵⁵ In a handwritten memo attached to the note from Kennan of August 12, 1947, Lovett wrote: "GK: I have sent the 'treaty' back as being wholly inadequate in present form. Your views are being passed along. L." *FRUS 1947*, Vol. 6, p. 486, note 21.

The draft prepared under the leadership of Penfield thus faced criticism from a newly dominant group within the Truman administration whose views mirrored a major shift in foreign policy. Additional comments and suggestions on the draft came from the Navy and War Departments and also from SCAP by early September. Those military organizations were under the strategic guidance of the Joint Chiefs of Staff, which concluded on June 8 that America's primary security requirement was to get rid of the menace towards the Western hemisphere, that is, to oppose the establishment of Soviet hegemony in Western Europe and Asia. The Joint Chiefs then regarded China's Kuomintang government as the only power that could resist the expansion of communism in Asia. If China fell under Russian rule it was likely that all of Asia would come under Russian influence. In this respect the Joint Chiefs' view differed from that of SWNCC's special committee, which recommended that America resist communist expansion by making Japan a "workshop" for economic rehabilitation throughout Asia. The Chiefs declared the necessity of giving China both economic and military aid. The Joint Chiefs of Staff focused on China, considering the demilitarization and occupation of Japan as a *fait accompli*. Thus the Joint Chiefs' strategic interest in Japan, except for the Ryukyus, was not very great. Concerning the Ryukyu islands, it had been the Joint Chiefs' long held view that since they were a cornerstone of American security in the Pacific, the retention of them by the United States was essential.⁵⁶

Reflecting the policy of the Joint Chiefs of Staff, the Navy Department's reaction to the Japanese peace treaty draft was moderate rather than critical, partly because of Secretary of the Navy Forrestal's warm reception of MacArthur's proposal for an early peace.⁵⁷ The Navy's objections to portions of the treaty all dealt with military considerations. Besides pointing out where the draft disagreed with the established policy of the Joint Chiefs of Staff on territorial questions, such as the United States' permanent possession of the Ryukyu islands,

⁵⁶ NSC 22/1, August 5, 1948, NSC Papers, National Archives; Akira Yamagiwa, "Amerika no sengo kosō to Ajia," [American postwar planning and Asia] *Sekai*, September issue, 1976, p. 62; "Joint Chiefs of Staff Review of United States Control Needed over the Japanese Islands," enclosure in James Forrestal to George Marshall, October 27, 1947, RG 330 (Records of the Office of the Secretary of Defense), National Archives.

⁵⁷ Quoted in Howard B. Schonberger, "Zaibatsu Dissolution and the American Restoration of Japan," *Bulletin of Concerned Asian Scholars*, Vol. 5, no. 2 (September 1975), p. 21.

the Navy expressed its desire to possess the navy base and airport attached to it in Yokosuka. It also recommended that the Allied troops remain in Japan until the United States could entrust the control of Japan to the United Nations. Finally, the Navy suggested that SWNCC conduct a thorough review of the Japan issue.⁵⁸

The War Department's response to the draft on August 29 was far more critical. According to the War Department, the Occupation had established high American prestige in Japan, and it was important to preserve this high prestige. Maintaining that American prestige in Japan would suffer if the post-treaty provisional measures proposed in the draft were implemented, the War Department expressed its disapproval of the measures. It proposed that Japan's economic rehabilitation be encouraged and the burden of reparations lightened.⁵⁹ SCAP basically agreed with the War Department's view, though they differed in their opinions of when the treaty should be signed.

In the face of the PPS's strong opposition to the draft, Lovett judged it necessary to revise the draft, and sought an opinion from SCAP.⁶⁰ On September 1 SCAP sent Lovett a reply that was prepared by Charles L. Kades, deputy chief of the Government Section of SCAP, which took issue with the treaty draft on eleven points. To bolster U.S. defenses, the SCAP demanded American ownership of the Ryukyu islands. It strongly disapproved of "provisional measures" to be enforced after the conclusion of the treaty, and also opposed establishment of a post-Occupation supervisory agency, use of military force, and retention of the Allied powers' right to unilaterally amend the treaty. In economic matters, SCAP concentrated its criticism on the treaty draft's unrealistically low projection of the Japanese living standard.⁶¹

These criticisms from the Navy and War Departments and SCAP did not bear directly on the wartime diplomatic framework underlying the OFEA draft. It fell to the PPS, therefore, to review the treaty draft within the general context of U.S. foreign policy. The PPS had the time to do this largely because the lack of an international consensus delayed the opening of the Japan peace treaty conference.

⁵⁸ Rear Admiral E. T. Woodridge to Borton, August 18, 1947, *FRUS*, 1947, Vol. 6, p. 495.

⁵⁹ Fahey to James K. Penfield, August 29, 1947, *ibid.*, pp. 506–08.

⁶⁰ Lovett to William J. Sebald, August 25, 1947, *ibid.*, p. 502.

⁶¹ MacArthur to Secretary of State, September 1, 1947, *ibid.*, pp. 512–15.

III

THE KAUFFMAN REPORT AND THE PPS's REEXAMINATION OF
OCCUPATION POLICY

The PPS was concerned that its task might become impossible if international negotiations led too quickly to the convening of the Japanese peace conference. The PPS needed time. In mid-September the PPS reached an agreement with W. Walton Butterworth, the newly appointed chief of the OFEA. The two offices agreed that while the opening of the peace conference should not be deliberately postponed for too long, the United States should not press for its opening at least until a conference of the Council of Foreign Ministers was held in November, when the Soviet position on the German question would be clarified.⁶² Thus the Japanese peace issue was connected with the German issue once again.

The PPS thus gained time to reexamine the Japanese peace treaty draft. The PPS did not rely solely on SCAP for its information on Japan; it energetically gathered data from many other sources. Kennan consulted with the OFEA, Penfield, Butterworth, the Navy and War Departments, and Joseph Grew, who had retired by then.⁶³ It even secretly sought an opinion from Joseph W. Ballantine, who had rich knowledge of Japan and was then out of Government office.⁶⁴

In the process of gathering information, the PPS came across a report which contained information totally different in nature from that received from SCAP. This report was unofficially prepared by James L. Kauffman who, because of the June 1947 decision to reopen private trade with Japan, was given permission to enter Japan in the summer of that year. He distributed copies of his report to persons in important posts in the Truman administration.⁶⁵

Kauffman's report had a surprisingly great impact. It had the effect of buttressing the views of government officials who were seeking to change foreign policy. The latter tended to accept Kauffman's views uncritically, without giving adequate thought to Kauffman's motives or the accuracy

⁶² W. Walton Butterworth to Secretary of State, September 22, 1947, *ibid.*, p. 523.

⁶³ Memorandum by Kennan, October 14, 1947, *ibid.*, p. 536.

⁶⁴ H. B. Schonberger, *op. cit.*, pp. 30-31. note 65.

⁶⁵ *Ibid.*, p. 24.

of his information. The report provided ammunition for use against existing policies.

Kauffman himself was a legal adviser to several large corporations, including General Electric and Standard Oil. The immediate purpose of his report was to criticize a document of the Far Eastern Commission (FEC 230), which banned excessive concentrations of economic power and imposed restrictions on business activities. Kauffman stressed that this document made it difficult for American corporations to make investments in Japan.

At the same time, Kauffman attacked Occupation policy, using inflammatory language. He concluded that Japan's demilitarization was accompanied by a kind of ideological reform. The Occupation's economic policy toward Japan, he charged, was close to the "socialist ideal," if not "communist." The ideology underlying the economic policy, Kauffman pointed out, was improperly called "economic democratization." Its purpose was redistribution of wealth among workers, farmers and small businessmen.

Kauffman first attacked FEC 230 and then criticized land reform, organization of labor, and purges of wartime leaders and collaborators from public offices, asserting that all these Occupation policies were aimed at producing socialism. The purge was also discussed in relation to Japan's economic rehabilitation. Because of the purge, charged Kauffman, the Japanese government and businesses were deprived of experienced and talented people. This loss of competence, combined with the effects of inflation and the burden of reparations, made prospects for Japanese economic recovery very bleak, he maintained. He concluded that SCAP's economic policy was not only a failure, but was also "un-American." In his view, SCAP policy would eventually cause Japan, an inherently noncommunistic nation, to "go communist" and become pro-Soviet. If the United States wanted Japan to be a buffer state against the Russians, Kauffman declared, Occupation policies had to be changed.⁶⁶

The Kauffman report had an enormous influence on the Truman administration. The Department of the Army, the former War Department renamed after the enactment of the National Security Act, immediately asked Undersecretary William H. Draper, who was staying in

⁶⁶ James L. Kauffman, "Report on Conditions in Japan as of September 6, 1947," enclosure in J. L. Kauffman to Robert L. Eichelberger, May 13, 1949, Eichelberger Papers, Duke University.

Tokyo, to make his own report. A former member of Dillon, Read and Company, Undersecretary Draper saw the matter from a businessman's perspective and gave full support to the Kauffman report.⁶⁷ The Kauffman and Draper reports naturally attracted the attention of the PPS. It was at the time reviewing the Japan peace treaty draft from the viewpoint of U.S.-Soviet relations, and those reports caused George Kennan to feel that Japan's "socialization" could not be ignored. He was now convinced of the necessity to restrain the tendencies toward socialism in Japan before concluding a peace treaty.⁶⁸

The first PPS report on Japan, delivered to Secretary of State Marshall on October 14, reflected Kennan's alarm about socialization in Japan. Nevertheless, Kennan insisted that the report was merely a tentative draft because there was a deficiency of data on important questions, despite the fact that the PPS had access to information from both SCAP and the OFEA. Kennan's insistence that data were insufficient was linked to his proposal that high-ranking government officials be dispatched to Tokyo to collect needed information. He got approval from Marshall. In other words, a new communication channel was established to gather new data, and the adequacy of existing channels was denied.⁶⁹ This undercut the position of SCAP in determining the Occupation policy. SCAP would never again enjoy the prestige it had before MacArthur proposed an early peace.

Kennan's report was written from the viewpoint of Cold War diplomacy. Though called a tentative draft, the report had more significance than that, for Kennan's position eventually led to a redirection of Occupation policy. In the report Kennan emphasized that Japan's political and economic instability could lead to communization.⁷⁰ The connection of political and economic instability with vulnerability to communization was the nucleus of Kennan's "containment policy." The PPS report stressed the necessity of applying the anti-communist measures which the PPS had constructed for Europe directly to Japan. Thus the PPS report challenged an opinion held by both SCAP and the OFEA: that Japan would not be communized because Soviet diplomacy

⁶⁷ Report on Mr. Draper's trip to Japan, October 8, 1947. RG 48 (U.S. Delegation to Far Eastern Commission) (Box No. 222), National Archives.

⁶⁸ W. Millis, *op. cit.*, pp. 328–29.

⁶⁹ Memorandum by Kennan, October 14, 1947, *FRUS*, 1947, Vol. 6, pp. 536–37, note.

⁷⁰ Results of Planning Staff Study of Questions Involved in the Japanese Peace Treaty, October 14, 1947, *ibid.*, p. 537.

toward Tokyo was realistic and because the Japanese people were traditionally anti-communist and anti-Russian. Kauffman's report on the "socialistic" economic policy toward Japan and its disruptive effects on the prospects of Japanese economic recovery served to give credence to the Moscow-centered views of Kennan and Davies on the potential for the communization of Japan. As a result, the PPS proposed the incorporation of Occupation policy toward Japan into U.S. Cold War diplomacy, which presented a sharp contrast with the respect the PPS gave to initiatives by European countries in formulating the Marshall Plan. In consideration of European power politics, the PPS had sought to minimize the application of the Truman Doctrine to Europe.⁷¹

Since the United States' international credibility was at stake, the PPS could not oppose the convocation of a Japanese peace conference; this had already been proposed to the other member nations of the Far Eastern Commission. In its report the PPS did not dare object to international negotiations, then under way, concerning the opening of the preliminary peace conference. However, the PPS report recommended that the United States refrain from efforts to convene the conference early and that the final decision on the treaty draft at the conference should be put off as long as possible. Specifically, the report proposed that the conference be held in January 1948 at the earliest and continue at least until June. Thus the PPS itself opposed an early peace with Japan.

The report also indicated that if an international consensus were not reached at the peace conference, Washington might take unilateral action to modify the Occupation regime, recognize an end to the state of war with Japan, and grant various rights accompanying the end of war to the Japanese. The PPS thus showed readiness to abandon the U.S. wartime diplomacy of international cooperation, in sharp contrast to the policy of SCAP and the OFEA.⁷²

The PPS report dealt with military issues in the context of both security interests of the United States and the defense of Japan. Concerning the former, the PPS discussed diplomatic means to implement decisions that the Joint Chiefs of Staff had already decided to adopt, including U.S. possession of the Ryukyu islands and maintenance of the military bases on Okinawa. The PPS report also mentioned that

⁷¹ Kennan to D. Acheson, May 23, 1947, *FRUS, 1947*, Vol. 3, pp. 223–30; cf. John Gimbel, *The Origins of the Marshall Plan* (Stanford, Calif., 1976), p. 267.

⁷² *FRUS, 1947*, Vol. 6 p. 538.

establishing U.S. military bases on the Japanese main islands would require political judgment. Discussion of Japan's defense was the most substantial part of the whole report. Because the report examined this issue from the viewpoint of Cold War diplomacy, discussion was not limited to the military aspect alone; it extended to economic and political considerations as well. The PPS regarded Japan's demilitarization as an established policy and agreed to supervision by an ambassadorial council, as proposed in the treaty draft prepared by the OFEA. The PPS also called for a strengthening of Japan's national police force, and proposed that American troops stationed in nearby countries be committed to the defense of Japan.⁷³

Kennan's PPS report devoted most space to political and economic aspects of the defense of Japan. Maintaining that the greatest value of signing a peace treaty was its psychological effect on the Japanese, the PPS judged it inappropriate to set up political supervision after the treaty was signed. Nevertheless, the PPS could not but take into consideration the possibility of expansion of the Soviet-controlled Japanese Communist party. The most effective defense against the Communist party was, according to the report, internal political stability, which depended on the stability of the economy. This was an application of the logic of the "containment policy" to Japan. The report pointed out that Japan's economic difficulties were derived from a cutoff of raw materials formerly supplied by other Asian countries, and from its loss of overseas markets. Although the PPS deferred its conclusions on prospects for the Japanese economy, stating that further research was needed, it emphasized that economic problems were very likely to produce political instability in Japan after a treaty was signed. If there was no hope for Japan's economic recovery, the United States should change its basic policy and give up the pursuit of a peace treaty, suggested the report.

MacArthur, it may be recalled, advocated promotion of economic recovery as a means to complete Japanese democratization. To foster the recovery he proposed to conclude peace with Japan. The PPS, on the other hand, regarded economic recovery as an important countermeasure to Japanese communization. Because of its heavy emphasis on economic rehabilitation, the PPS even suggested that peace with Japan be abandoned if necessary, rather than postponed. Although the PPS did not rule out the possibility of Japan's economic recovery under existing

⁷³ *Ibid.*, pp. 540-41.

SCAP policies, it insisted on reexamining these policies to determine whether they promoted recovery. In its emphasis on Japan's economic rehabilitation, the PPS cast doubt even on SCAP's democratization policies. To support its argument, the PPS followed Kauffman's view, which SCAP opposed, that the purge and the ban on excessive concentration of economic power were impediments to economic recovery. The PPS also proposed to minimize demilitarization in the industrial sector and reparations—further examples of the PPS's attempts to eliminate impediments to economic recovery.⁷⁴

The PPS report urged Secretary of State Marshall to reexamine Occupation policy, and even to redirect it to conform to the overriding goal of protecting Japan from communization, rather than to promote the SCAP goals of demilitarization and democratization. However, besides the fact that the report was tentative, there were several other reasons that a shift in Occupation policy did not immediately materialize. One was resistance from SCAP. After Draper returned to Washington from Japan, the Army Department consulted with the State Department over Occupation policy. Particular attention was given to FEC 230, the document which ordered a ban on excessive concentration of economic power. Kenneth Royall, newly appointed Secretary of the Army, sent a memorandum to MacArthur to ask that legislation of the deconcentration law be postponed. In his reply on October 24, however, MacArthur refused the request, pointing out that the law was needed to complete the dissolution of the *zaibatsu* and to achieve democratization in Japan. The State Department supported MacArthur's position.⁷⁵ In December the law was enacted, to the distress of those who attached primary importance to Japan's economic recovery.

Another impediment to the PPS was the ongoing international negotiations over the opening of a Japan peace conference. If America's international credibility was to be maintained, the conference could not be called off. Moreover, many in the State Department continued to push for an early peace with Japan. The delay in opening the conference made these people all the more anxious to conclude a peace treaty.

A new report was prepared by the OFEA on October 29, about two

⁷⁴ *Ibid.*, pp. 541–43.

⁷⁵ H.B. Schonberger, *op. cit.*, p. 24. MacArthur to Department of the Army, October 24, 1947, Henry Stimson Papers, Yale University; Charles L. Hodge, U.S. Reparations and Restitution Delegation in Tokyo, November 4, 1947, D/S 740.00119 Control (Japan).

weeks after the PPS report was submitted. The OFEA report presented three U.S. options regarding the peace conference: 1) to wait and see how negotiations developed; 2) to announce a postponement of the conference; and 3) to present a compromise in order to reach an international consensus. Unlike the PPS report, the OFEA document did not play up the possibilities of Japan's communization. It applied a balanced analysis, recognizing that: Japanese peace had already been proposed; peace with Japan should be handled within the framework of international cooperation of wartime diplomacy; and Japan's economic recovery must be promoted.⁷⁶

The report considered each of the three options in terms of these factors. In its conclusion, the report recommended Option 3 as the best choice, i.e., to push for an early opening of the peace conference by compromising with the Soviet Union and China. There were three main reasons offered by the OFEA for choosing Option 3. First, if the peace conference was not held quickly, international support might be diminished, and the competent people lined up to prepare for the conference might disperse. Second, American possession of the Ryukyu islands and other strategic Japanese locations for defense purposes would arouse opposition from the Soviet Union and China, both now and in the future. Finally, if the Marshall Plan formula was adopted, America could extend aid to Japan to foster economic rehabilitation even if peace with Japan was made; but if peace with Japan were delayed the Republican dominated U.S. Congress might interfere.⁷⁷ This OFEA report was highly evaluated by Maxwell Hamilton, Special Assistant to the Secretary of State.⁷⁸

The conflicting views on peace with Japan offered by the PPS and the OFEA reflected the differing views within the State Department on the possibilities of U.S.-Soviet cooperation. The PPS emphasized U.S.-Soviet confrontation and the possibilities of Japan's communization, while the OFEA followed the guidelines of wartime diplomacy by seeking international cooperation and respecting the decisions of the Far Eastern Commission. It should be remembered, however, that although the PPS attached great importance to Japanese economic rehabilitation

⁷⁶ Memorandum by Robert A. Fearey, October 29, 1947, *FRUS*, 1947, Vol. 6, pp. 556-57.

⁷⁷ *Ibid.*, pp. 557-62.

⁷⁸ *Ibid.*, pp. 562-64, 556, note 78; Change in duties of Maxwell M. Hamilton, Lovett to Truman, October 31, 1947; Truman to Hamilton, November 1, 1947, Papers of H.S. Truman, Library of H.S. Truman.

and sought a shift in Occupation policy, it had not yet made a systematic re-evaluation of Occupation policy itself. Time was what the PPS needed above anything else in order to incorporate Occupation policy into Cold War diplomacy.

CONCLUSION

Opposition by the Soviet Union and China to the participation of some countries in the conference, and also to some procedural methods, delayed the opening of the conference. Kennan, however, regarded the two countries' opposition as his greatest ally in bringing about a shift in Occupation policy.⁷⁹ The incorporation of Occupation policy into Cold War diplomacy progressed under an "unintentional alliance" between the PPS and the Soviet Union. After Marshall faced Soviet intransigence over the German issue at the conference of the Council of Foreign Ministers in London in late November, he endorsed the PPS's recommendation and decided to shelve the Japanese peace issue until high-ranking government officials had consulted with MacArthur.⁸⁰ The PPS thus gained time to make a full-fledged reexamination of Occupation policy.

By the time the international pressures had been removed, the PPS had strengthened its position in the Truman administration. Although the OFEA continued to lead the resistance to the PPS, the latter, through its relations with the military, had tilted the scales of official opinion towards support of a shift in Occupation policy. Influenced by the Kauffman report, the Army Department expressed its disapproval of the legislation of FEC 230, but in the face of MacArthur's insistence on implementing the document, the Army could not overcome his opposition. When Kennan met Forrestal, who had assumed the newly created post of Secretary of Defense, at a luncheon on October 31, he again stressed that Japan might become communist if its economy were allowed to drift in a socialistic direction.⁸¹ The following day, Forrestal warned Secretary of the Army Royall that FEC 230 would promote Japanese socialism, and requested Royall to examine the significance of

⁷⁹ G. Kennan, *op. cit.*, p. 376.

⁸⁰ Secretary of State, December 11, 1947, *FRUS*, 1947, Vol. 6, pp. 590–91; Lovett to Bohlen, December 15, 1947, *ibid.*, p. 591.

⁸¹ W. Millis, *op. cit.*, pp. 328–29.

⁸² J. V. Forrestal, "Memorandum for Mr. Royall, November 1, 1947," Forrestal Papers, Princeton University.

Japan's economic condition in terms of American security.⁸² This was the background for Royall's speech in San Francisco in early January 1948, in which he stressed the necessity of a shift in SCAP's policy toward Japan.⁸³

Royall's speech did not lead to a change in SCAP's policy. MacArthur was firmly convinced that Japan would not "go communist."⁸⁴ His personality and prestige were too strong for the Army to overcome. The State Department, however, sent George Kennan to Japan on February 26, 1948, to consult with SCAP over peace with Japan. This provided the first occasion for SCAP to confer with Washington over the fundamental principles of Occupation policy since the Occupation began. Kennan's visit, therefore, was a watershed for relations between the Truman administration and SCAP. The PPS seized the chance to collect data to corroborate its own view.

While in Japan Kennan talked with MacArthur three times. Although the purpose was ostensibly to discuss peace with Japan, the main focus of the talks was directed at the defense of Japan from both internal and external threats, in part because even MacArthur saw little prospects of Soviet cooperation over the peace issue.⁸⁵ MacArthur repeated to Kennan his opinion that there was no risk of communization of Japan. At the third meeting (in which Draper also participated), MacArthur denied the possibility of Japanese rearmament. In his view, American troops in Okinawa would be enough for Japan's external defense, and therefore Japan could remain disarmed.⁸⁶

MacArthur dominated most of the discussions and Kennan was obliged to listen to him. Kennan was, however, able to explain that, since in his view the goals for which the Far Eastern Commission had been created had been achieved, it was up to the U.S. government to determine whether SCAP should now comply with FEC proposals.⁸⁷ Kennan's statement implied a final break between Occupation policy

⁸³ "Roiyaru rikugun chōkan enzetsu" (Secretary of the Army Royall's Speech; January 6, 1948) in Kiyooki Tsuji, ed., *Shiryō: Sengo nijūnen* [Source Materials: A History of Postwar Twenty Years], Vol. 1, Nihon Hyoronsha, 1966, pp. 58–61.

⁸⁴ SCAP to Department of Army, January 3, 1948, *SCAP* (Box No. 2147).

⁸⁵ Conversation between General of the Army MacArthur, Undersecretary of the Army Draper, and Mr. George Kennan, March 23, 1948, *FRUS*, 1948, Vol. 6, pp. 707–08.

⁸⁶ Memoranda of Conversation with General of the Army Douglas MacArthur, General MacArthur's Remarks at Lunch, March 1, 1948, *ibid.*, pp. 697–99. Explanatory Notes by Mr. George Kennan, March 25, 1948, *ibid.*, p. 712.

⁸⁷ Conversation of March 5, 1948, *ibid.*, pp. 699–700, 703–04.

and wartime diplomacy. SCAP was thus supplied with a logic by which it could justify shifts in Occupation policy taken at its own initiative.

Immediately after he returned to Washington, Kennan prepared a report completed on March 25, in which he severely criticized MacArthur's views on the internal and external security of Japan. Kennan first took MacArthur to task for underestimating the seriousness of Japanese communists' attempts to expand their influence. Concerning Japan's external defense, Kennan's criticism was directed at MacArthur's optimistic attitude toward cooperation with the Russians. Kennan pointed out that as long as the Soviet Union entertained ambitions for external expansion, it was necessary to consider rearming Japan.⁸⁸ Kennan recommended that the United States refrain from active pursuit of an early peace and direct its efforts towards establishing domestic stability in Japan. To do this, Kennan proposed to curtail the drastic democratization policy and give top priority to economic rehabilitation. He further proposed to strengthen the voice of the Truman administration in Occupation policy by making SCAP a mere supervisory body and preventing interference from the Far Eastern Commission.⁸⁹

Because it was based on data Kennan collected directly in Japan, his report made it possible for the PPS to claim equal "expertise" with the OFEA and SCAP. The PPS presented another report to the National Security Council on May 26, in the midst of an intensifying East-West confrontation that was fast building towards a blockade of Berlin by the Russians. This was based directly on Kennan's report. It did contain some slight modifications; the PPS report was more respectful of the roles of SCAP and the Far Eastern Commission, and it made no reference to Japan's rearmament. In general, however, the PPS report followed the Kennan report by discouraging an early peace and giving top priority to economic rehabilitation through the toning down of democratization policies.⁹⁰

In October, reflecting the military's recognition of the need for an Occupation policy shift, the National Security Council adopted the PPS report without substantial revision. This resulted in drafting the well-known document called NSC 13/2, which signalled a policy shift.⁹¹ The

⁸⁸ *Ibid.*, pp. 712–13.

⁸⁹ Report by Kennan, March 25, 1948, *ibid.*, pp. 691–93.

⁹⁰ Recommendations with Respect to U.S. Policy toward Japan, May 26, 1948, *ibid.*, pp. 776–79. G. Kennan, *op. cit.*, p. 392.

⁹¹ NSC 13/2, October 7, 1948, NSC Papers.

highest American diplomatic and military policy-making organ thus accepted the PPS' advice and suggestions and decided to redirect Occupation policy. The decision was obviously a part of U.S. Cold War diplomacy or "containment policy" in that Japan's economic rehabilitation was given top priority.

This decision was not readily accepted by SCAP. On the ground that SCAP was established by international agreement, MacArthur opposed the implementation of the decision.⁹² The Truman administration overcame SCAP's opposition and proceeded to enforce NSC 13/2. One reason that the Truman administration did so was a drastic change in the Chinese situation. With the collapse of the Kuomintang government seeming certain, the National Security Council made a ten-day intensive review of the Japan issue in early December, and decided to send Joseph M. Dodge, President of the Detroit Bank, to Tokyo to make recommendations for Japan's economic recovery.⁹³ With this decision, the Truman administration began to intervene directly in Occupation policy toward Japan. This was a drastic change in the relationship between the Truman administration and SCAP, leading to a redirection in Occupation policy. Ironically the shift was an outcome of MacArthur's proposal for an early peace.

⁹² MacArthur to Draper, December 18, 1948, Joint Chiefs of Staff File.

⁹³ Joseph M. Dodge to Cleveland Turner, December 13, 1948, J. M. Dodge Papers, Detroit Public Library.