

A beginning has already been made by the Supreme Commander on the task of dissolving the "Zaibatsu"—or great family financial and commercial monopolies—which before the war assisted the programme of Japanese militarists, extended their tentacles into every aspect of Japanese economic life, and so long as they exist will without doubt constitute a menace to world peace. The Japanese Government should be required, subject to supervision, to carry out and complete the task of breaking down these excessive concentrations of economic power.

A somewhat similar position obtains with respect to rural land reform. The Japanese Government, in response to orders from the Supreme Commander for the Allied Powers, has passed legislation providing for an increase in farm ownership and improved tenancy conditions. A beginning has been made in clearing away some of the abuses which have in the past been notoriously injurious to Japanese rural life; but, unless the reforms have been substantially implemented before the peace treaty is concluded, some supervision, though not necessarily of a detailed nature, may continue to be required.

Japan should also comply with certain international conventions which lay down minimum standards of conduct in such matters as the employment of labour.

Notwithstanding provisions such as those here proposed, it is not considered advisable in general that the peacemaking Powers should attempt to exercise close supervision over the internal economic life of Japan, except where security considerations necessitate such supervision. Allied policy should be such as will not prevent Japan from securing as soon as possible her legitimate peaceful economic needs, but the growth of genuine democracy is likely to be impeded unless the responsibility for organizing the economic life of Japan rests firmly with the Japanese Government.

6. REPARATIONS AND OCCUPATION COSTS

(a) REPARATIONS

The Far Eastern Commission has already passed, with the concurrence of New Zealand, a basic policy decision on reparations. This is as follows :—

For acts of aggression committed by Japan and for the purpose of equitable reparation of the damage caused by her to the Allied Powers and in the interests of destruction of the Japanese war potential in those industries which could lead to Japan's rearmament for waging war, reparations shall be exacted from Japan through the transfer of such existing Japanese capital