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**INCOMING TELEGRAM** *Department of State*

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TO: Secretary of State ~~61B 61B1 61S 61L 611B 611C~~

NO: 3393, APRIL 20, 1960 ~~61D 61PM 612B 612C 612D 613 613B~~

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SENT DEPARTMENT 3393, REPEATED INFORMATION USUN 42

DEPARTMENT TELEGRAM 2391.

AS INSTRUCTED REFTEL, EMBASSY HAS STRONGLY REPRESENTED TO FONOFF DESIRABILITY OF SOME EX GRATIA PAYMENT TO INHABITANTS OF TRUST TERRITORIES ON BASIS MORAL OBLIGATION OF JAPAN, GOOD WILL WHICH WOULD ACCRUE FROM SUCH ACTION AND NEED TO REMOVE THIS ITEM WHICH IS ANNUALLY CAUSE OF ADVERSE COMMENT IN TC.

FONOFF SAID THAT NISHIYAMA HAD REPORTED CONVERSATION WITH STEEVES, AND FONOFF HAD SENT INSTRUCTIONS TO EMBASSY WASHINGTON TO EXPLAIN GOJ POSITION TO DEPARTMENT. SUBSTANCE OF GOJ POSITION AS FOLLOWS:

ON OCTOBER 26, 1954 US HAD PROPOSED TALKS TO SETTLE QUESTIONS OF PROPERTY AND PAYMENT IN ACCORD WITH ARTICLE 4 OF THE PEACE TREATY. IN THE JAPANESE VIEW THESE PROPOSALS HAD BEEN ONE-SIDED INsofar as they had suggested JAPANESE RESPONSIBILITY TO PAY ALL OBLIGATIONS INCURRED BEFORE AND DURING WAR WITH WAIVER OF ALL JAPANESE RIGHTS. GOJ HAD ACCORDINGLY MADE COUNTER-PROPOSAL MARCH 16, 1955, ON WHICH THEY WERE STILL AWAITING ANSWER. IN THEIR VIEW, SUCH CLAIMS SHOULD BE SUBJECT OF SPECIAL ARRANGEMENTS BETWEEN JAPANESE AND US AUTHORITIES, AND GOJ WAS READY TO DISCUSS SUCH SPECIAL ARRANGEMENTS AT ANY TIME. GOJ WAS NOT PREPARED TO PAY WARTIME CLAIMS OF FORMER SUBJECTS, ALTHOUGH THEY WOULD BE WILLING TO PAY SUCH MATTERS AS PENSION CLAIMS, POSTAL SAVINGS BALANCES, ETC., UNDER AND ARRANGEMENT WITH US (ONE OF ITEMS SUGGESTED IN THEIR COUNTER-PROPOSAL).

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-2- 3393, APRIL 20, 4 PM FROM TOKYO

IN JAPANESE VIEW, CLAIMS OF TRUST TERRITORIES INHABITANTS WERE SIMILAR TO THOSE OF FORMOSA. ANY EXPENDITURE WHICH THEY MIGHT MAKE WOULD REQUIRE DIET APPROVAL, IN WHICH QUESTIONS WOULD BE RAISED RE INTERPRETATION OF PEACE TREATY. FONOFF CONSIDERS THAT ARTICLE 4 WOULD APPLY.

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