

engage in any form of civil aviation, or manufacture or import aircraft. In addition, New Zealand also feels that Japan should be required by the peace settlement to make an unqualified surrender of sovereignty over her air space, which should be vested in an international organization. They consider that external services should be arranged so that all Allied nations have an opportunity to participate, while internal services should be run by a joint international organization. The Australian Government agrees substantially with the New Zealand Government on this question, and in addition they oppose the employment of Japanese as ground staff.

35. The principal questions with regard to the Japanese ship-building industry are the aggregate tonnage of ships which the Japanese should be permitted to own, the maximum tonnage and speed of individual vessels and the building and repair capacity of Japanese shipyards.

36. Territorial Adjustments

The Potsdam Declaration provided that Japanese sovereignty would be confined to the four main islands of Japan and such minor islands as might be determined by the Allied powers. The disposition of all territory which was included in the former Japanese Empire has been pre-determined to a considerable extent by agreements between the Great Powers set forth in the Cairo Declaration and the Yalta Agreement. According to the Cairo Declaration the Pescadores and Formosa are to be returned to China, and Korea is in due course to be established as an independent nation. According to the Yalta Agreement southern Sakhalin and the Kurile Islands are to be ceded to the U.S.S.R. The Japanese mandated islands - the Marianas, the Marshalls, the Caroline Islands and the Pelew Islands have been placed under a United States trusteeship by the Security Council of the United Nations. This leaves for disposition only a number of minor islands, some of which, however, have considerable strategic importance. These are the Bonin Islands, the Loochoo Islands and Quelpart.

37. The inhabitants of the Loochoo Islands resemble the Japanese in physical appearance and language but are usually considered a distinct people. The Islands became a tributary state of the Chinese Empire in the 14th Century, but never became an integral part of the Empire. The Northern group of islands was annexed by a Japanese feudal lord in the 17th Century. The Japanese Government claimed jurisdiction over all the islands in 1874 and complete Japanese sovereignty was recognized generally after 1879, except by the Chinese. In 1942 the Chinese Foreign Minister claimed the "return" of the Loochoos to china after the defeat of Japan, but the claim has not been renewed and the islands were not mentioned in the Cairo Declaration. United States interest in the islands, in view of American operations there during the war, is bound to be generally recognized.

38. The Bonin group of islands was discovered in the 16th Century and an unsuccessful attempt was made by the Japanese in the 17th Century to colonize them. A miscellaneous group of Europeans arrived in 1830 and were the first permanent settlers. British, Russian and American ships all visited the islands during the 19th Century, but none of the Governments concerned made any serious effort to claim the islands. In 1875 the Japanese laid formal claim to the islands and made