

FEC-RESTRICTEDAPPENDIX 15STATEMENT BY U. K. MEMBER ON 17 SEPTEMBER 1947 REGARDING
JAPANESE EXTERNAL ASSETS AND OTHER PROBLEMS STILL
FACING COMMITTEE NO. 1 IN CONNECTION WITH
NEGOTIATING DIVISION OF SHARES

The United Kingdom Member said that he was prepared to amplify his statement at the previous meeting of the Committee (See Appendix 14) concerning his Government's position on negotiation of division of shares. He said that his purpose was not to raise any particular concrete problems at this time but rather to call attention to the kind of concrete problems which the Committee must face if it is to make any progress. A verbatim record of the U. K. Member's statement follows:

MR. THRESHER: The Commission's policy on Division of Reparations Shares (FEC-219/7) lays it down that the "shares of particular countries in the total sum of the reparations from Japan shall be determined on a broad political basis, taking into due account the scope of material and human destruction and damage suffered by each claimant country as a result of the preparations and execution of Japanese aggression and taking also into due account each country's contribution to the cause of the defeat of Japan, including the extent and duration of its resistance to Japanese aggression".

This policy speaks of shares in the total sum of the reparations from Japan. At the present time this Committee does not have under consideration the fixing of shares in the total sum of the reparations from Japan.

It is concerned with the problem of deciding appropriate shares of the industrial assets from within Japan.

The total sum of the reparations from Japan includes the Japanese overseas assets which countries already have in their possession. Therefore, in endeavouring to arrive at appropriate shares of the industrial assets from within Japan, the only method that appears reasonable is to start from a consideration of the appropriate division of the total sum of reparations - on a broad political basis, as laid down in the Commission's policy - and then adjust for the difference in holdings of Japanese overseas assets.

It has been suggested in this Committee that the available data on the relative values of internal and external assets is too scanty and unreliable for the purpose. I should like to mention in passing that the United Kingdom delegation has, on the one hand, pressed strongly throughout for a decision on industrial levels, which would make it possible to estimate with reasonable accuracy the value of reparations assets from within Japan; and, on the other hand, has repeatedly invited the countries represented here to produce information about holdings of Japanese overseas assets.

Even if we agree that the available data is not as good as could be wished for, it seems undeniable that, in endeavouring to arrive at appropriate shares of industrial assets from within Japan, some estimate of the relation between those assets and holdings of overseas assets must

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in fact be made. Such an estimate has been made by my Government and I assume that it is not alone in having done so.

It is not my intention to give here any details of the estimate which my Government has made, since it is the view of my delegation that an essential pre-requisite to so doing is the agreement of the Committee that other members will produce information on the subject at the same time and be willing to discuss the question. I wish only to say now that my government has studied this matter further since the United Kingdom representative made his statement on 7th July. This further study strongly confirms the general conclusion then presented. A realistic view of the value of the reparations which are likely to be obtained from within Japan leads inevitably to the conclusion that they will be worth substantially less than the holdings of overseas assets, even when every allowance has been made for the nature of these assets and the way in which some of them were acquired by the Japanese. Our estimate of the distribution of these holdings has already been stated in general terms and need not be repeated.

The foregoing remarks and those previously made by the United Kingdom representative about external assets are designed in part to give a general explanation of why the percentage for China in the United Kingdom schedule is lower than those presented by other members. I should now like to make some additional remarks about the other percentage in the United Kingdom schedule which differs markedly from those submitted by other members, viz. that for the United Kingdom itself. The United Kingdom claim, it should be once again pointed out, is on behalf of the United Kingdom, Burma, Malaya, Borneo, etc. It is difficult to believe, when looking at the schedules submitted by other members that full account has been taken of this fact.

At this time I wish to put forward only a single illustration of this point. In doing so, I shall refer to the share proposed for the Philippines and I should like to ask the indulgence of my Philippine colleague in this connection. I assure him that I have no intention of belittling the claim of the Philippines to reparations from Japan and that I take this particular example only to make my point clear.

There is a fairly close parallel between the situation of the Philippines and that of Burma. The two countries have roughly the same population, though the area of Burma is considerably larger. Both were attacked and occupied by the Japanese in the early part of the war. Both were devastated and looted during the course of the occupation. Both were subsequently the scene of severe fighting during the course of allied re-occupation.

The claim of Burma taken alone seems therefore as good a one as that of the Philippines. The same could well be said of that of the other British Far Eastern territories concerned, if they were to be considered as a separate entity. The United Kingdom itself is a claimant principally in respect of war effort, which was a very substantial one.

The schedule presented by other members of the Committee seem to take insufficient account of these facts. The schedule of the Philippine Government proposes over twice as much for the Philippines as for the United Kingdom. That of the Soviet Government proposes 2% more for the Philippines

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than for the United Kingdom. These are extreme cases. Even the schedule presented by the United States Government, however, which I feel sure has been most carefully weighed assigns only 2% more to the United Kingdom than to the Philippines.

The foregoing is stated, let me repeat, only by way of illustration, and with the desire to stimulate discussion of the underlying problems which face this Committee.

It is my personal conviction that until we face these problems squarely and proceed to discuss them no real progress can be made.

The Chinese Member, commenting on the U. K. Member's statement, recalled that his delegation had many times gone on record as being prepared to discuss the question of Japanese external assets. It was the position of his delegation, however, that before this subject could be discussed it was necessary to decide how it was to be discussed. The Chinese delegation's position was that the question of external assets should be discussed on a global basis. In answer to a query by the Netherlands Member, the Chinese Member said that it was not possible to discuss Japanese external assets intelligently unless it was possible to discuss such assets wherever they may exist in the world. This was what he meant by "a global basis" for the discussion of this subject. Such a discussion would include, he said, Japanese external assets in neutral countries. He said he would welcome some indication from the U. K. Member as to how he thought this question should be discussed.

The U. K. Member said that he was not suggesting any particular method of discussing external assets except that it should be discussed in connection with what the Committee was trying to do, namely negotiate division of shares of industrial assets from within Japan. He would imagine that other Governments besides his own had made some estimate of external assets in computing the percentages assigned to countries in their schedules of reparations shares, and if such estimates had been made it might be useful to discuss them in the Committee. His Government's position had been that external assets should be discussed in the Commission but it was also possible that some useful discussion could take place in the Committee.

The Chinese Member said that there was nothing that he could recall in the policy adopted by the FEC on division of shares (FEC-219/7) calling for the submission of any data on external assets. If the U. K. Member would like to suggest a method of procedure for discussing this subject he thought it appropriate that the Committee and ultimately the Commission should give it serious consideration. At present, however, there was no understanding among Commission Members on how to proceed with respect to discussions of external assets.

The U. K. Member said that he felt the Committee was spending too much time discussing procedure and not enough time discussing the concrete facts which it must sooner or later discuss if it was to arrive at a decision on shares of industrial assets from within Japan.

The Soviet Member said that the question raised by the U. K. Member, namely that of external assets, was not a new

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One and had been previously discussed in the Committee and in the Commission. However, it had been removed from the agenda of the FEC after the adoption of the policy decision in FEC-219/7. He reminded the Committee that in the first days of the FEC's history the entire subject of external assets had been discussed in connection with the jurisdiction of the FEC. The Commission's terms of reference restricted its jurisdiction to the four main islands of Japan and it was therefore not competent to deal with matters lying beyond that area unless the parties to the original agreement approved. That is to say, the question would first have to be decided by the founders of the FEC and following that it would have to be referred to the plenary body of 11 members. Following approval by the FEC, the Committee might appropriately discuss it. It was the position of his Government that this matter could be handled in no other way. The present trend of the discussion in the Committee suggested a procedure for discussions in which the Soviet delegation would be unable to participate.

The U. K. Member said that there was nothing in the policy decision (FEC-219/7) which would prevent the discussion of the subject of external assets. On the contrary, the last sentence of that policy clearly indicated that the Commission anticipated such discussion. The sentence referred to was as follows: "The clauses herein on reparations and reference to this subject are without prejudice to the views of governments on the overseas assets issue." The U. K. Member said that it seemed to him that anything whatever that might reasonably be considered relevant to the discussion of division of shares could appropriately be discussed by the Committee.

(Min. 126th Mtg. Com. No. 1
17 September 1947)

FEC-RESTRICTEDAPPENDIX 16DECISION BY COMMITTEE NO. 1 TO REPORT TO COMMISSION THE
STATUS OF ITS NEGOTIATIONS REGARDING
DIVISION OF REPARATIONS SHARES

The N. Z. Member said that it seemed to him the Committee had reached a complete impasse in its negotiation of reparations shares but was reluctant to recognize the fact. The deadlock, he said, had been reached because of the four following factors. Firstly, it had been proposed that a single schedule of percentages be prepared by a method involving the use of averages. However, certain Members of the Committee expressed the strong disapproval of their Governments to the use of any method involving averages. Secondly, other Members had suggested that percentages be referred back to Governments for revision, as two Governments had already done. However, in one case the reduction in the share claimed by the Government was only 1/10 and in the other case only 1/7 of the original percentage requested. It was obvious, he said, that many of the shares claimed would have to be reduced a great deal more than that to offer any hope of agreement. Thirdly, it had been suggested that the division of shares issue be referred back to Governments with a request by delegates for fuller powers of negotiation. However, there was to date no agreement as to the scope of the powers of negotiation to be requested, particularly with reference to the question of external assets, which was itself another unsolved problem. Fourthly, one Member of the Committee had thus far not cooperated in the negotiation of division of shares at all, thus adding to the impasse already created by the other disagreements on procedure. These four factors, the N. Z. Member said, indicated that the Committee had probably exhausted its capacity to reach agreement on this problem. He suggested, therefore, that the Committee report to the Commission the situation that exists within the Committee. When the matter reached the Commission it would be referred back to Governments and it was for those Governments who really wanted reparations to suggest some scheme which would avoid the four difficulties just described.

The Chairman said that while he understood the desire of the N. Z. Member to obtain action on this subject he thought the Committee should remember that it had before it five separate proposals for the procedure to be followed in negotiating division of shares. He wondered whether the Committee should at this stage give its attention to these five proposals with the idea of approving one of them if possible by a majority vote. The N. Z. Member said that he thought it would be most unwise of the Committee to adopt by any majority vote a procedure which was unacceptable to some Members of the Committee. He felt that in so delicate a matter as reparations negotiations the least the Committee could do was to endeavor to arrive at a procedure which could obtain unanimous approval. The reason for his suggesting that the Committee report to the Commission was that he did not feel that the Committee had any procedure open to it at this stage which offered any great hope of future agreement.

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(Secretariat Note: The following is the complete record of the discussion on Division of Shares at the 127th meeting of Committee No. 1 on 24 September 1947. From the Minutes of the 127th Meeting.)

ITEM 2 - DIVISION OF REPARATIONS SHARES, C1-244/1, C1-219/13, /20, /21, FEC-219/7)

The U. K. Member said that he did not think it wise that the Committee hold the subject of division of shares on its agenda in the vain hope of receiving a constructive suggestion on which all Members could agree. The Committee had for many months examined a number of different approaches to the problem of division of shares and had been unable to obtain agreement. It seemed unlikely in the light of the discussions of recent months that the Committee would be able to reach unanimous agreement on this subject. He formally moved, therefore, that the Committee report to the FEC its inability to come to a decision on the question of division of reparations shares of industrial facilities within Japan. The N. Z. Member seconded this motion. The Chinese Member queried the U. K. Member on the type of report he had in mind to send to the Commission. The U. K. Member replied that he thought it would be sufficient to state simply that the Committee had been unable to reach any decision on the subject of division of shares of industrial equipment within Japan and saw no prospect of being able to do so under present conditions.

The Soviet Member said that he doubted there was any real practical value in reporting in this manner to the FEC. Discussions there could not differ very greatly from discussions in the Committee since it was unlikely that Commission Members would be under different instructions from their colleagues in the Committee. The Soviet Member said that if the implication of the U. K. Member's proposal was that his Government as well as the other Governments around the table did not intend to revise its schedule of percentages then it was probably correct to feel that the Committee would be unable to reach an agreement on this problem, for only through revision of schedules could the Committee ever hope to reach agreement. He thought, however, that this was an unduly pessimistic conclusion.

Commenting on the U. K. Member's statement at the previous meeting in connection with external assets, the Soviet Member said that it should be remembered that the Soviet delegation had never categorically refused to discuss external assets but had merely insisted that they be discussed in the proper way. That is to say, in discussing external assets it was essential "not to confound people and horses."

The Soviet Member commented on the objection raised in the official U. K. statement made at the previous meeting of

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the Committee to the figure of 6% assigned in the Soviet schedule to the U. K. and comparing it with the 7% assigned to the Philippines. He said that the U. K. Member called attention to the fact that the U. K. percentage would be not only for the U. K. itself but for its Southwestern Pacific territories -- Malaya, Burma, Borneo, etc. In this connection the Soviet Member said that it was worth pointing out that the Soviet Union was composed of sixteen republics all of which are larger than Borneo and each of which had contributed least as much to the defeat of Japan as Borneo. Yet in the U. K. schedule the Soviet Union was given a share of only 2%. In these circumstances, he said, it can hardly be correct that the Committee has exhausted all possibilities of revising official schedules and obtaining closer agreement. It was still the position of his delegation, therefore, that the Committee should await reconsideration by Governments of their official schedules.

The Chairman, commenting on the discussion of external assets at this and other recent meetings of the Committee, said that he did not feel justified in permitting the subject of external assets to be brought to the table for discussion if only one or two Members were interested in discussing it. He felt that the Committee should concentrate on arriving at a single schedule of reparations shares which might form the basis of negotiation of a final schedule. He pointed out that pursuant to the instructions of the Committee he had talked with the Chairman of the Commission, General McCoy, about the possibility of the Committee's requesting the Commission to devise a single schedule of this sort, and that General McCoy had suggested that the Committee exhaust all possibilities of agreement open to it before referring the matter to the Commission. Speaking as the Netherlands delegate rather than Committee Chairman, he said he would oppose the U. K. motion to report the failure of the Committee in the matter of division of shares to the FEC.

The Australian Member said that he was inclined to favor the U. K. proposal since consideration of the situation with respect to division of shares at the FEC level might well serve to stimulate Governments to such further consideration of this subject as to make possible ultimate agreement. In reply to a query as to whether this implied that his delegation was prepared to join a discussion on division of shares in the FEC, the Australian Member said that he was unable to commit his delegation on this point.

The U. S. Member said that the U. K. and N. Z. Members, as a result of their absence from Committee discussions for a number of weeks, had brought back with them a new perspective on the division of shares question and that it would be unwise of the Committee not to give serious consideration to their views. He suggested that it might be worth while to invite the Secretary of the Committee to prepare a report from Committee

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records indicating the various steps that had been taken in Committee's attempts to solve the division of shares problem and listing the possible next steps which the Committee had considered taking. He thought that such a report would be a help to all delegations in assessing the reparations situation. The N. Z. Member said that he did not believe such a report had been envisaged by the U. K. Member in his proposal but that a brief description of the impasse which the Committee had reached would be sufficient. If the Committee agreed to the idea of informing the Commission of the inability to reach an agreement, it might then consider what kind of report should accompany this information. He further stated that while he had been quite willing to second the United Kingdom Member's motion he did not propose to take further initiative in the matter of the division of shares; that the minutes of the meetings of the Committee for many months past would show that the New Zealand delegation had honestly and sincerely endeavored to assist the Committee in reaching the point where an ultimate agreement might be in sight; that he felt it was now for the larger claimants to endeavor to produce an agreed solution to the problem if they wanted any reparations at all.

After further discussion, the U. K. Member agreed to amend his motion to include a provision that the Secretary prepare a summary report of the various methods by which the Committee had attempted to solve the division of shares problem. This report would be placed before the Committee at its next meeting, and after approval by the Committee it would be forwarded to the FEC. The Committee also decided that if it could agree at its next meeting on a report to be sent to the Commission it should be sent directly to the Commission, and not first to the Steering Committee. The usual arrangements for by-passing the Steering Committee would be made by the Chairman of the Committee. The U. K. Member's motion, as amended, then read as follows:

Committee No. 1 agrees to forward directly to the FEC a report, prepared by the Secretary and approved by the Committee, setting forth the situation that exists in the Committee in regard to negotiation of division of reparations shares of industrial facilities within Japan.

The Chairman then called for a vote and the motion carried 7-1, the Australian, Canadian, Chinese, Indian, N. Z., Philippine and U. K. Members supporting the motion; the Netherlands Member opposing; and the French, U. S. S. R. and U. S. Members abstaining. The Committee decided that in view of the action just taken to report to the Commission, the five proposals contained in C1-244/1 could be considered as having lapsed.

(Secretariat Note: The five proposals referred to, originally circulated as C1-244/1, follow on the next pages.)

FEC-RESTRICTEDCANADIAN MEMBER'S PROPOSAL

1. The Committee agrees that, as the Australian delegation is unable to submit a schedule of percentages for all eleven countries represented on the Far Eastern Commission, it will work on the basis of the schedules submitted by the other ten countries. For this purpose the Canadian and the Chinese group-schedules should be broken down into a list of eleven percentages.

2. The Committee will then prepare two schedules: Schedule "A" will show the percentages claimed by each country, including Australia; Schedule "B" will show the average of the percentages allotted to each country by the other nine (or, in the case of Australia, ten) countries.

3. The Committee will then request the Secretariat to embody these two schedules of percentages in a Committee document, and recommend that each delegation forward the schedule to its Government with a request that the schedule already submitted be reconsidered and that as wide a latitude of negotiation as possible be granted to its delegation.

FRENCH MEMBER'S PROPOSAL

1. It is the position of the French Government that since column 1 of C1-219/20 (containing the percentage share requested by each FEC country for itself) is the only schedule in which the official views of all eleven FEC countries are represented, this schedule should serve as the starting point for negotiation of division of shares. Negotiation should proceed as follows:

a. It is the position of the French Government that no FEC country should receive less than 2% of reparations from industrial facilities inside Japan. In order that Canada and N. Z. shall receive the minimum 2% after carrying out the operation in "d" below the percentages for these two countries in column 1 of C1-219/20 should be altered as follows:

Add 2.5% to the Canadian figure
Add 2.0% to the N. Z. figure

This brings the figures for these two countries to 4% each.

b. In the view of the French delegation the operation in "d" below would result in too small a percentage for the U. S. The figure for the U. S. in column 1 of C1-219/20 should therefore be increased by 6.5% bringing it to 35.5%.

c. Add all eleven figures in column 1 of C1-219/20 as amended in "a" and "b" above. The sum will equal 200%.

d. In order to reduce the total percentage obtained in "c" above to 100% divide the figure for each country in "c" above by 2. This procedure will result in the following schedule:

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Australia	14.0%
Canada	2.0
China	20.0
France	6.0
India	6.25
Netherlands	6.0
New Zealand	2.0
Philippines	7.5
U. S. S. R.	6.0
United Kingdom	12.5
United States	<u>17.75</u>
	100.00%

2. The schedule of percentages obtained in "1.d" above shall form the basis of subsequent negotiation of a final schedule of reparations shares by the Committee.

INDIAN MEMBER'S PROPOSAL

For the purpose of achieving a decision on the determination of reparations shares on the basis of the FEC policy decision in FEC-219/7 the Committee recommends that each delegation forward the official schedules presented to the Committee to its Government with a request that the schedule already submitted be reconsidered and that as wide a latitude of negotiation as possible be granted to its delegation.

NEW ZEALAND MEMBER'S PROPOSAL

1. Negotiation of a percentage share of reparations from Japan for each FEC country shall go forward on the basis of all official schedules submitted to the Committee to date and shall be conducted in accordance with the following procedures.

2. The Secretariat shall prepare two schedules: Schedule "A", showing the percentage claimed by each country for itself; Schedule "B", showing against each country the average of the percentages allotted to it in all official schedules submitted except that country's own. To this end, the Canadian and Chinese delegations shall be requested to obtain from their respective Governments a breakdown of their group schedules into percentages for each country. Step 2 will thus produce two figures for each country.

3. Proceed in Committee to discuss each country in turn on the basis of the two figures obtained in Step "2" above, the onus being on the country concerned to justify its own claim against the figure derived from the other official schedules.

4. Select for each country -- by Committee vote -- a figure in between that claimed and that derived from the other official schedules.

5. The total of the percentages so arrived at will be more than 100 per cent. Reduce this total to 100 per cent by simple proportion. This, then, becomes the final schedule of reparations percentage shares.

SOVIET MEMBER'S PROPOSAL

For the purpose of achieving a decision on the determination of reparations shares on the basis of the FEC policy decision FEC-219/7 it is desirable that the other countries, in a similar way as it has been done by the Soviet Union, revise their original positions.

FEC-219/26FEC-219/2624 April 1951FAR EASTERN COMMISSIONDIVISION OF REPARATIONS SHARESDirective Serial No. 79
(Reference: FEC-219/10)Note by the Secretary General

1. In order to facilitate handling of records FEC-219/10 (5 June 1947), a U. S. directive to SCAP regarding the division of reparations shares, is from this date graded to UNCLASSIFIED.
2. FEC-219/7, the Far Eastern Commission policy decision upon which this directive was based, was declassified and released to the press 8 May 1947.
3. All holders of FEC-219/10 are requested to make the appropriate change in their copies of this document.

NELSON T. JOHNSON
Secretary General

FEC-219/26

~~ITEM 6 - a STATEMENT BY THE UNITED STATES REPRESENTATIVE OF THE FAR EASTERN COMMISSION ON REPARATIONS SHARES (FEC-278)~~

~~FEC-278 contains a statement submitted by the United States representative on 6 November 1947. The proposal has been accepted by Australia, Canada, China, N.Z., and the Philippine Republic. Unfavorable responses have been made by France, India, the Netherlands, the USSR, and the U.K..~~

~~REPORT OF COMMITTEE NO. 1 TO THE FAR EASTERN COMMISSION REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)~~

~~FEC-219/25 is a report by Committee No. 1: Reparations, on the status of negotiations concerning the division of shares of industrial facilities within Japan declared available for reparations. The comprehensive US~~

statement of 12 May (Fec 340) bears on this subject

278 withdrawn on 12 May (Fec 340)

FEC-CONFIDENTIALFEC-278FEC-278COPY NO. 2386 November 1947FAR EASTERN COMMISSIONSTATEMENT BY THE UNITED STATES REPRESENTATIVE OF THE
FAR EASTERN COMMISSION ON REPARATIONS SHARESNote by the Secretary General

1. The enclosure, a statement by the United States Representative of the Far Eastern Commission relative to the subject of reparations shares, was submitted at the seventy-ninth meeting of the Far Eastern Commission, 6 November 1947, and is circulated herewith for the consideration of the Commission.

2. The attention of all concerned is invited to the classification of this document which prohibits the dissemination of the information contained therein to unauthorized persons or to the Press.

NELSON T. JOHNSON
Secretary General

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E N C L O S U R E

STATEMENT BY THE UNITED STATES REPRESENTATIVE OF
THE FAR EASTERN COMMISSION ON REPARATIONS SHARES

The United States Member of the Far Eastern Commission has been authorized by his government to announce that if the Far Eastern Commission will adopt as a matter of policy the schedule here below, as embodying authorized percentage awards to be applicable to Japanese industrial facilities available for reparations,

<i>accept</i>	-	Australia	8%	—	3
<i>accept</i>	-	Canada	1	—	1
<i>accept</i>	-	China	30	—	34
		France	2	—	
		India	4	—	
		Netherlands	4	—	
<i>accept</i>	-	New Zealand	1	—	1
		Philippines	8	—	
<i>unaccept</i>	-	U.S.S.R.	4	—	12
		United Kingdom	10	—	
		United States	28	—	10

Dec 6
61
2
4
4
12
110
101%

the United States Government, on its part, will hold 18 of its own 28% authorized share of industrial facilities for redistribution among the Far Eastern Commission countries which desire increments to amounts of industrial facilities they are entitled to receive under their authorized shares. It would be equally satisfactory to the United States Government if these countries decided, among themselves, to divide the 18% in accordance with their respective authorized percentages adjusted to 100%, or in accordance with some other principle such as need. The United States Government would not participate in that decision, but would redistribute its 18% upon the basis of any agreement reached by the interested countries.

The United States Government has been guided by broad political considerations in formulating this proposal now put before the Far Eastern Commission. If unacceptable to the Far Eastern Commission, the United States Government will, of course, consider itself at liberty to withdraw it.