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Proposed French amendment to paragraph j.

Add after "should be" in line 5 of Paragraph j.

....., to proceed to allocations of assets, to  
adjudicate in cases of non-conformity with  
inventories or of deterioration of the items  
allocated.

Proposed Soviet amendment to paragraph j.

Delete entire paragraph j.

k. Countries receiving industrial machinery, equipment, or supplies from Japan on reparations account should obligate themselves not to offer such assets for sale or barter to another country within three years from the date of assignment of title of facilities, except as such facilities may be bartered among reparations recipient countries in exchange for other assets allotted on reparations account. In so far as fulfillment of the claim for industrial equipment is in excess of the ability or desire of the claimant country to utilize it, that country shall have the right to allocate or otherwise dispose of its claim, to other claimants and to Korea, on a political basis. Claimant countries should be permitted to dispose of reparations goods to their own nationals, wherever domiciled and for use anywhere except Japan; to any person of non-enemy nationality for use within the recipient country; and to satisfy private claims arising out of war damage

Proposed Soviet amendment to paragraph k

Delete the second sentence and substitute the following:

In so far as fulfillment of the claim is in  
excess of the ability or desire of a claimant  
country, the recipient countries may allocate  
the facilities received by them on account of  
reparations to other countries gratis and without  
retaining for themselves the title on the facilities  
transferred by them.

1. Claims for individual facilities must be filed with SCAP by a claimant country within six months after the fixing of a claimant country's final reparations percentage share, or receipt from SCAP of a final inventory and valuation of the facility, whichever is the later date.

Proposed Soviet amendment to paragraph l.

Delete original paragraph l. and substitute:

1. Claims for individual facilities must  
be filed with the Inter-Allied Reparations Agency  
within six months after the fixing of a claimant  
country's final reparations percentage share,  
or receipt from SCAP of a final inventory and  
valuation of the facility, whichever is the later  
date.



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m. Each claimant will arrange for transportation for its reparations goods at the port and will be prepared to accept transfer of title no later than two years after the designation of the goods for application to that country's reparations account, providing that such goods have been delivered to the loading point at the port within a reasonable time before the end of that period.

n. Industrial facilities, machinery or equipment (other than specialized war-making equipment) declared available for reparations, but either

(1) unclaimed for application against recognized reparations claims on Japanese assets from within Japan, or

(2) unaccepted as prescribed by l. l. above,

should not be destroyed or otherwise disposed of by SCAP pending receipt of further directives.

Proposed Soviet amendment to paragraph n.

Add to the last sentence above:

... based on FEC decision.

o. The provisions of this paper shall apply to any country not a member of the FEC which may be declared eligible to receive reparations from Japan in industrial facilities, except that no country not a member of the FEC shall be a member of the RTAC.

2. The provisions of paragraph l. c. and d. requiring a monetary valuation for industrial facilities shall not operate to delay delivery of goods under "Advance Transfers of Japanese Reparations" (FEC-201). The provisions of paragraph l. g. and the provisions of that part of paragraph l. k. which permit recipient countries to barter goods received on reparations account among themselves and which permit the claimant countries to dispose of their claims to other countries on a political basis do not apply to the program of "Advance Transfers of Japanese Reparations" (FEC-201). As soon as recognized and approved national reparations shares have been determined and announced by directive to SCAP all of the provisions of this policy statement will govern and provisions of "Advance Transfers of Japanese Reparations" (FEC-201) will be rendered inoperative.

Proposed Soviet amendment to paragraph 2.

Delete the following words from lines 8 and 9 above:

on a political basis



DRAFTING CHANGES TO CI-211/8  
REPARATIONS ALLOCATIONS PROCEDURES  
FOR INDUSTRIAL FACILITIES IN JAPAN

1. The following procedures should govern SCAP implementation of those aspects of the Japanese reparations program providing for the removal from Japan of industrial facilities and equipment:

a. ~~In accordance with provisions of directives to SCAP policy decisions by the Far Eastern Commission under its Terms of Reference regarding availability for reparations transfer of categories of Japanese industry, SCAP should be responsible for final selection of those particular industrial facilities and equipment to be made available for removal from Japan as reparations.~~

b. ~~SCAP should be responsible for preparing~~ prepare an inventory of individual Japanese industrial facilities selected under a. above. This inventory shall include any available information which would aid a prospective claimant in determining the utility of the individual facility, such as technical specifications, make, age and condition.

c. ~~SCAP should be responsible for assigning monetary valuations to industrial facilities selected and listed under a. and b. Procedures for uniform monetary valuation should be determined by SCAP.~~ SCAP should determine procedures for uniform monetary valuations and should assign such valuations to industrial facilities selected and listed under a. and b. above. Valuations should be in sufficient detail to permit charges to be made for parts of plants which may be allocated separately. Values assigned to reparations assets referred to in a. and b. above need have no relation to any other values as long as these values are consistent among the reparations assets comprised of industrial facilities and equipment.

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f. Upon receipt of directives indicating the over-all shares assigned to each country, SCAP should set up appropriate reparations accounts for recipient countries. The value of the facilities received by any one country should not exceed its percentage share of the total value of the industrial facilities selected and valued by SCAP for removal as reparations. ~~As provided in the directive, Serial No. 69, February 19, 1947, regarding the Delivery of Reparations Goods in Japan~~ In accordance with PEC-094/4 (DELIVERY OF



REPARATIONS GOODS IN JAPAN, approved by the Far Eastern Commission on 13 February 1947 and transmitted to the Supreme Commander on 19 February 1947 as Directive Serial No. 69), a recipient country will make a commitment to accept a specific facility at the time allocation is made. SCAP should likewise agree to reserve the accepted facility for the claimant country. At such time SCAP will should make an initial charge of the monetary value assigned to the facility (in accordance with 1 g. above) to the reparations account of the recipient country. When the final title is taken by a recipient country to an individual facility aboard ship, a final charge also should be made against the reparations account of the recipient country, taking into account, if necessary, any unforeseen loss of value.

g. From those items of industrial facilities and equipment declared available for reparations removals SCAP should allocate particular industrial facilities to each country on the basis of claims submitted by that country. To the extent that claims of two or more countries are in conflict, he will should work out what seems to him the most reasonable allocation, taking into primary consideration the proportion of each country's allocation still unfilled. After taking into account this primary consideration, consideration should be given the following four items in stated order of priority:

1. Each country represented on the FEC should be permitted to have a reparations technical mission in Japan. These missions should be afforded full opportunity for inspection of plants declared available, and should be kept fully informed by SCAP of all designations and allocations. They should be authorized by their Governments to receive inventories, valuations and other communications from SCAP relating to reparations, to lodge claims, to make commitments to accept title to plants selected, to accept final title to industrial facilities on reparations account, and to make all necessary arrangements with SCAP including scheduling the required shipping for the actual removal of allocated facilities in accordance with the principles laid down in the directive, Serial No. 69 FEC-094/4 (DELIVERY OF REPARATIONS GOODS IN JAPAN, approved by the Far Eastern Commission on 13 February 1947 and transmitted to the Supreme Commander on 19 February 1947 as Directive Serial No. 69).



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The French Member said that it might be possible that such an amendment would be acceptable. His Government was primarily interested in inserting at this point some reference to the policy decisions of the FEC. It was decided that the U. K. Member and the Secretary should consult with the French Member in an effort to find a rewording of this paragraph which would be satisfactory.

The Chairman asked whether the Subcommittee on Valuations had anything to report that would be helpful in the Committee's consideration of para. c. The U. K. Member, Chairman of the Valuations Subcommittee, reported that information on valuation procedures had recently been obtained from the Supreme Commander and circulated as MI-125/1. He pointed out that this document contained on page 2 the information that "all values (of reparations facilities) are converted into terms of 1939 yen using an index and table of conversion based on that prepared by the Bank of Japan and the Bureau of Statistics of the Japanese Government." He recalled that this had been one of the matters in which the Committee had evinced considerable interest and that further points of interest could also be found in this document. He said that the Subcommittee had decided not to recommend a formula for valuations procedures, preferring to give members an opportunity to review their positions in the light of the information received from the Supreme Commander. He also stated that no recommendation was made by the Subcommittee with regard to making provision for appeal on SCAP's valuations, it being the opinion of the Subcommittee that this decision could better be made by the full Committee in connection with its treatment of the terms of reference of the RTAC. He then suggested that the U. S. Member comment further on the information that had been received by him from SCAP.

The U. S. Member listed the following as the order in which SCAP proceeded in setting a value on a reparations facility:

1. Item of equipment.
2. Year of construction.
3. Cost of construction.
4. Conversion factor (from adjustments to indices prepared by the Bank of Japan and the Bureau of Statistics of the Japanese Imperial Government).
5. Construction cost converted to 1939 yen.
6. Time elapsed and scrap value.
7. Depreciation factor for construction costs after conversion to 1939 yen.
8. Construction costs after depreciation and conversion into 1939 yen.
9. Loss due to war damage.
10. Value in yen expressed at 1939 level.



Members of the Committee should inform their respective Governments of the proposals submitted regarding percentage shares for FEC countries and ask for an official schedule of percentage shares, if one has not yet been presented, or new schedules reflecting reasonable appraisal of the schedules already presented and recognizing the need for mutual concessions. <sup>in order to assist</sup> the FEC ~~to~~ to approach more closely the set goal. Such schedules should be put before the Reparations Committee on 8 August 1947 by each member.

~~country.~~



C1-211/10FEC-RESTRICTEDC1-211/1011 September 1947FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONSREPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL  
FACILITIES IN JAPAN  
(References: FEC-211/3, C1-211/6, /7, /8, /9)Note by the Secretary General

1. The enclosure, a working draft including all amendments proposed to date by the members of Committee No. 1 to FEC-211/3, Reparations Allocations Procedures for Industrial Facilities in Japan, is circulated herewith for the further consideration of COMMITTEE NO. 1: REPARATIONS.
2. This paper supersedes C1-211/6, /7, /8, and /9.
3. Paragraph \*f was adopted by the Committee at its one hundred and eighth meeting on 25 June 1947, with the United States Member reserving his position. In the final draft of this paper paragraph \*f will become f, the original f will become g. The lettering of the remaining paragraphs will be altered accordingly.
4. Amendments suggested by the Subcommittee on Drafting have been incorporated in this document. The paragraphs affected are marked with the indicator "#", and all changes are shown by striking through and underlining.

NELSON T. JOHNSON  
Secretary General

C1-211/10



FEC-RESTRICTEDE N C L O S U R EREPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL FACILITIES IN JAPAN

1. The following procedures should govern SCAP implementation of those aspects of the Japanese reparations program providing for the removal from Japan of industrial facilities and equipment:

~~#a.~~ In accordance with ~~previsions-of-directives-to~~ SCAP policy decisions under the Terms of Reference of the Far Eastern Commission regarding availability for reparations transfer of categories of Japanese industry, SCAP should be responsible for final selection of those particular industrial facilities and equipment to be made available for removal from Japan as reparations.

Proposed French amendment to paragraph a.

Add at end of a. above:

....., in conformity with the level of peace economy as will be determined by the Far Eastern Commission.

~~#b.~~ SCAP should ~~be-responsible-for-preparing~~ prepare an inventory of individual Japanese industrial facilities selected under a. above. This inventory shall include any available information which would aid a prospective claimant in determining the utility of the individual facility, such as technical specifications, make, age and condition.

~~#c.~~ ~~SCAP-should-be-responsible-for-assigning-monetary valuations-to-industrial-facilities-selected-and-listed under-a.-and-b.--Procedures-for-uniform-monetary-valuation should-be-determined-by-SCAP.~~ SCAP should determine procedures for uniform monetary valuations and should assign such valuations to industrial facilities selected and listed under a. and b. above. Valuations should be in sufficient detail to permit charges to be made for parts of plants which may be allocated separately. Values assigned to reparations assets referred to in a. and b. above need have no relation to any other values as long as these values are consistent among the reparations assets comprised of industrial facilities and equipment.

Proposed French amendment to paragraph c.

Add at end of c. above:

....., it being understood that these valuations may always be revised.

d. SCAP should submit to representatives of countries members of the FEC the inventory provided in b., and the valuation provided in c.

Proposed Soviet amendment to paragraph d.



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Add the following to paragraph d.

*See new A 10 e*

When inspecting the facilities on the spot, the representative of a claimant country may request for a presentation to him of the materials upon the grounds of which the valuation was made, and in the event of his disagreement with the valuation made by SCAP the question of a final valuation shall be settled by a joint valuation with the participation of the representative of the claimant country and a representative of SCAP.

e. Upon receipt of the inventories and valuations mentioned herein, a country, member of the FEC may lodge with SCAP claims for the allocation to it of particular industrial facilities.

Proposed Soviet amendments to paragraph g. of this paper would necessitate changing "SCAP" to "IARA" in paragraph e. above.

\*f. A reasonable balance should as far as possible be maintained among the rates at which the reparations shares of the several claimants are progressively satisfied by allocation and delivery, provided that this principle shall not operate against the interests of countries entitled to only a small share of total reparations.

#f. Upon receipt of directives indicating the overall shares assigned to each country, SCAP should set up appropriate reparations accounts for recipient countries. The value of the facilities received by any one country should not exceed its percentage share of the total value of the industrial facilities selected and valued by SCAP for removal as reparations. As provided in the directive, Serial No. 69, February 19, 1947, regarding the Delivery of Reparations Goods in Japan In accordance with FEC-094/4 (DELIVERY OF REPARATIONS GOODS IN JAPAN, approved by the Far Eastern Commission on 13 February 1947 and transmitted to the Supreme Commander on 19 February 1947 as Directive Serial No. 69), a recipient country will make a commitment to accept a specific facility at the time allocation is made. SCAP should likewise agree to reserve the accepted facility for the claimant country. At such time SCAP ~~will~~ should make an initial charge of the monetary value assigned to the facility (in accordance with l c. above) to the reparations account of the recipient country. When the final title is taken by a recipient country to an individual facility aboard ship, a final charge ~~shall~~ should be made against the reparations account of the recipient country, taking into account, if necessary, any unforeseen loss of value.

#g. From those items of industrial facilities and equipment declared available for reparations removals SCAP should allocate particular industrial facilities to each country on the basis of claims submitted by that country. To the extent that claims of two or more countries are in conflict, he ~~will~~ should work out what



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"The relation of the item or items to the general pattern of the claimant country's prewar economic life and to programs for its postwar economic adjustment or development."

Proposed French amendment to paragraph g.

Add the following sub-paragraphs to g. above:

(5) The urgency of the need for each claimant country to dispose of the items available in order to reconstruct its economy in such a way as to assure the full development of the resources of the Far East.

(6) The special nature of claims of the countries whose shares are small, but which need specified items.

✓ Proposed Soviet amendment to paragraph g.

Delete original paragraph g. and substitute the following:

g. At the Headquarters of the Supreme Commander for the Allied Powers there should be organized an Inter-Allied Reparations Agency composed of the heads of Allied Reparations Missions in Tokyo, which shall allocate all Japanese reparations assets to the recipient countries on account of the reparations percentage shares approved by the FEC for each of such countries. Decisions of the Inter-Allied Reparations Agency shall be adopted by a simple majority vote with the subsequent approval of such decisions by the FEC.

h. In making allocations as provided by paragraph g., SCAP should, to the extent practicable, give consideration to striking a fair and equitable balance as between all claimant countries of items:

- (1) in integrated or consolidated units.
- (2) of modern and efficient design and manufacture.
- (3) in good working condition.

Proposed Soviet amendments to paragraph g. of this paper would necessitate changing "SCAP" to "IARA" in paragraph h. above.

#i. Each country represented on the FEC should be permitted to have a reparations technical mission in Japan. These missions should be afforded full opportunity for inspection of plants declared available, and should be kept fully informed by SCAP of all designations and allocations. They should be authorized by their Governments to receive inventories, valuations and other communications from SCAP relating to reparations, to lodge claims, to make commitments to accept title to plants



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selected, to accept final title to industrial facilities on reparations account, and to make all necessary arrangements with SCAP including scheduling the required shipping for the actual removal of allocated facilities in accordance with the principles laid down in ~~the directive, Serial No. 69~~ FEC-094/4 (DELIVERY OF REPARATIONS GOODS IN JAPAN, approved by the Far Eastern Commission on 13 February 1947 and transmitted to the Supreme Commander on 19 February 1947 as Directive Serial No. 69).

j. SCAP should organize a Reparations Technical Advisory Committee (RTAC) composed of the heads of the above Reparations Technical Missions located in Japan and chaired by a Representative of SCAP appointed by SCAP. The function of this Committee should be to assist SCAP, in an advisory capacity, in the development of technical and administrative procedures to assure an orderly removal of reparations goods from Japan, and in the settlement of conflicts between claimant countries arising over claims for particular facilities. In the event of disagreement between SCAP and a member country concerning the allocation of a particular facility by SCAP, if a formal protest is made to SCAP by two-thirds of members of RTAC, SCAP, who has final authority in such matters, may, in his discretion, refer the dispute to the U. S. Government.

Proposed Australian amendment to j.

Changes and additions to the original paragraph are indicated by striking through and underlining:

j. SCAP should organize a Reparations Technical Advisory Committee (RTAC) composed of the heads of the above Reparations Technical Missions located in Japan and chaired by a Representative of SCAP appointed by SCAP. The function of this Committee should be to assist SCAP, in an advisory capacity, in the development of technical and administrative procedures to assure an orderly removal of reparations goods from Japan, ~~and in the settlement of conflicts between claimant countries arising over claims for particular facilities.~~ In the settlement of conflicts between claimant countries arising over the submission of two or more claims for a particular facility, the SCAP will refer such conflicts to RTAC which will determine in the light of criteria contained in paragraph g. that allocation which SCAP should make.

Proposed Canadian amendment to j.

The second sentence of j should read as follows:

The function of this Committee would be to assist SCAP, in an advisory capacity, in the development of technical and administrative procedures to assure orderly removal of reparations goods from Japan, and in providing such technical information and advice regarding industrial facilities suitable for use by the potentially recipient countries as may be considered of assistance to SCAP in selecting plants and equipment for reparations removal.



FEC-RESTRICTEDProposed French amendment to paragraph j.Add after "should be" in line 5 of Paragraph j.

....., to proceed to allocations of assets, to adjudicate in cases of non-conformity with inventories or of deterioration of the items allocated ...

Proposed Soviet amendment to paragraph j.Delete entire paragraph j.

k. Countries receiving industrial machinery, equipment, or supplies from Japan on reparations account should obligate themselves not to offer such assets for sale or barter to another country within three years from the date of assignment of title of facilities, except as such facilities may be bartered among reparations recipient countries in exchange for other assets allotted on reparations account. In so far as fulfillment of the claim for industrial equipment is in excess of the ability or desire of the claimant country to utilize it, that country shall have the right to allocate or otherwise dispose of its claim, to other claimants and to Korea, on a political basis. Claimant countries should be permitted to dispose of reparations goods to their own nationals, wherever domiciled and for use anywhere except Japan; to any person of non-enemy nationality for use within the recipient country; and to satisfy private claims arising out of war damage.

Proposed United Kingdom amendment to paragraph k.Delete the second sentence.Proposed Soviet amendment to paragraph k.Delete the second sentence and substitute the following:

In so far as fulfillment of the claim is in excess of the ability or desire of a claimant country, the recipient countries may allocate the facilities received by them on account of reparations to other countries gratis and without retaining for themselves the title on the facilities transferred by them.

1. Claims for individual facilities must be filed with SCAP by a claimant country within six months after the fixing of a claimant country's final reparations percentage share, or receipt from SCAP of a final inventory and valuation of the facility, whichever is the later date.

Proposed Australian amendment to paragraph l.Delete "six months" in line 2 of paragraph l and substitute "sixty days".Proposed Soviet amendment to paragraph l.Delete original paragraph l, and substitute:

1. Claims for individual facilities must be filed with the Inter-Allied Reparations Agency within six months after the fixing of a claimant



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country's final reparations percentage share, or receipt from SCAP of a final inventory and valuation of the facility, whichever is the later date.

m. Each claimant will arrange for transportation for its reparations goods at the port and will be prepared to accept transfer of title no later than two years after the designation of the goods for application to that country's reparations account, providing that such goods have been delivered to the loading point at the port within a reasonable time before the end of that period.

Proposed United Kingdom amendment to paragraph m.

Delete the first two lines of paragraph m and substitute the following:

"Each claimant will arrange for transportation for its reparations goods at the port. Delivery at the port shall be made within one year after the reparations goods have been allocated unless the claimant country desires later delivery. In the latter case the claimant country should be prepared ....etc"

n. Industrial facilities, machinery or equipment (other than specialized war-making equipment) declared available for reparations, but either

- (1) unclaimed for application against recognized reparations claims on Japanese assets from within Japan, or
- (2) unaccepted as prescribed by 1 l above,

should not be destroyed or otherwise disposed of by SCAP pending receipt of further directives.

Proposed Soviet amendment to paragraph n.

Add to the last sentence above:

... based on FEC decision.

o. The provisions of this paper shall apply to any country not a member of the FEC which may be declared eligible to receive reparations from Japan in industrial facilities, except that no country not a member of the FEC shall be a member of the RTAC.

2. The provisions of paragraph<sup>3</sup> ~~1c~~ and <sup>4</sup> ~~d~~, requiring a monetary valuation for industrial facilities shall not operate to delay delivery of goods under "Advance Transfers of Japanese Reparations" (FEC-201). The provisions of paragraph ~~1B~~ and the provisions of that part of paragraph ~~14~~ which permit recipient countries to barter goods received on reparations account among themselves and which permit the claimant countries to dispose of their claim to other countries on a political basis do not apply to the program of "Advance Transfers of Japanese Reparations" (FEC-201). As soon as recognized and approved national reparations shares have been determined and announced by directive to SCAP all of the provisions of this policy statement will govern and provisions of "Advance Transfers of Japanese Reparations" (FEC-201) will be rendered inoperative.

Proposed Soviet amendment to paragraph 2.

Delete the following words from lines 8 and 9 above:

on a political basis



FEC-RESTRICTEDFor Subcommittee  
Circulation OnlyFAR EASTERN COMMISSIONRTAC SubcommitteeSUBCOMMITTEE REDRAFT AS OF 21 NOVEMBER 1947of C1-211/10REPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL  
FACILITIES IN JAPAN

1. Enclosure "A" contains the Subcommittee's working draft of its proposed revision of C1-211/10 as of the meeting held on 21 November 1947.
2. Enclosure "B" contains an explanatory memorandum on the Subcommittee's proposed revision of C1-211/10 which it is anticipated will be forwarded to Committee No. 1 when the revision in Enclosure "A" is ready for submission to the Committee.
3. Enclosure "C" is a proposed revision of paragraph 10, b of Enclosure "A" submitted by the Canadian Member of the Subcommittee. The Subcommittee will discuss further the Canadian amendment at its next meeting.



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FACILITIES IN JAPAN

1. SCAP should be responsible for selection of the particular industrial facilities to be made available for removal from Japan as reparations in accordance with relevant policy decisions under the Terms of Reference of the Far Eastern Commission.

2. SCAP should prepare an inventory of the individual Japanese industrial facilities selected in accordance with paragraph 1 above. This inventory should include any available information which would aid a prospective claimant in determining the utility of the individual facility, such as technical specifications, make, age and condition.

3. SCAP should determine the procedure for uniform monetary valuations and should assign such valuations to industrial facilities selected and listed under Paragraphs 1 and 2 above. The purpose of such valuations is solely to provide a uniform basis of comparison among industrial facilities for the purpose of allocation. Such valuations, therefore, need have no direct relation to any other values so long as they are consistent among the reparations assets comprised of industrial facilities. Valuations should be in sufficient detail to permit charges to be made for parts of plants which may be allocated separately.

4. SCAP should submit to representatives of countries, members of the FEC, the inventory provided for in paragraph 2

Enclosure "A"



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and the valuations provided for in paragraph 3.

5. Upon receipt of the inventory and the valuations mentioned above, a country, member of the FEC, may lodge with SCAP claims for the allocation to it of particular industrial facilities.

6. SCAP should set up reparations accounts for recipient countries. The value of the facilities received by any one country should not exceed its percentage share of the total value of the industrial facilities selected by SCAP for removal as reparations. In accordance with FEC-094/4 (DELIVERY OF REPARATIONS GOODS IN JAPAN, approved by the Far Eastern Commission on 13 February 1947 and transmitted to the Supreme Commander on 19 February 1947 as Directive Serial No. 69) a recipient country will make a commitment to accept a specific facility at the time allocation is made. SCAP should likewise agree to reserve the accepted facility for the recipient country. At such time SCAP should make an initial charge to the country's reparations account of the value assigned to the facility. When final title is taken by a country on delivery of the facility aboard ship, a final charge should be made against the country's reparations account, making allowance, if necessary, for any unforeseen loss of value. When, after allocation but prior to packing, an item of reparations is found on inspection not to conform substantially to the particulars given in the inventory the country may refuse to accept such item and its reparations account should be credited with the charge previously made for the item. The provisions of the foregoing sentence should also apply where substantial damage or loss is sustained in transit to the port in Japan.

7. SCAP should allocate particular industrial facilities to each country on the basis of claims submitted by that country. When two or more countries file claim for the same facility, SCAP

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should work out what seems to him the most reasonable allocation, taking into primary consideration the proportion of each country's allocation still unfilled. After taking into account this primary consideration, SCAP should give consideration to the following criteria in stated order of priority:

a. claims for whole plants and related facilities as opposed to claims for portions thereof;

b. the extent to which the claimed item or items would replace property which was destroyed, damaged or looted by Japan, or which requires replacement because of excessive use as a result of engaging in hostilities against Japan;

c. the extent to which the claimed item or items can be integrated into the general pattern of the claimant country's economic life, having regard to the former dependence of the claimant country on imports from Japan of the item or items (or products thereof) claimed, and the contribution of the claimed item or items to programs for the claimant country's economic adjustment, including the development of resources contributing to the welfare of the Far East.

In the application of all the above criteria due regard should be given to the special problems of countries receiving only small shares.

8. In making allocations as provided by paragraph 7, SCAP should, to the extent practicable, give consideration to striking a fair and equitable balance as between all claimant countries of items:

a. in integrated or consolidated units,

b. of modern and efficient design and manufacture,

c. in good working condition.

9. Each country represented on the FEC should be permitted

Enclosure "A"



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to have a reparations technical mission in Japan. These missions should be afforded full opportunity for inspection of plants declared available, and should be kept fully informed by SCAP of all designations and allocations. They should be authorized by their Governments to receive inventories, valuations and other communications from SCAP relating to reparations, to lodge claims, to make commitments to accept title to plants selected, to accept final title to industrial facilities on reparations account, and to make all necessary arrangements with SCAP including scheduling the required shipping for the actual removal of allocated facilities in accordance with the principles laid down in FEC-094/4 (DELIVERY OF REPARATIONS GOODS IN JAPAN, approved by the Far Eastern Commission on 13 February 1947 and transmitted to the Supreme Commander on 19 February 1947 as Directive Serial No. 69). The Reparations Technical Missions should also be authorized to provide such technical information and advice regarding industrial facilities suitable for use by the potentially recipient countries as may be considered of assistance to SCAP in selecting plants and equipment for reparations removal.

10. SCAP should organize a Reparations Technical Committee (RTC) composed of the heads of the above Reparations Technical Missions with a non-voting chairman representing SCAP. The functions of this Committee should be:

a. to assist SCAP in an advisory capacity, in the development of technical and administrative procedures to assure an orderly removal of reparations goods from Japan;

b. to provide for adjudication of disputes arising out of competing claims of countries for the same facility or facilities in accordance with the following procedure:

In the event of dissatisfaction of one or more of the claimant countries with the allocation made by SCAP in accordance with the provisions of para. 7 of this



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policy, the dissatisfied country or countries may, within 30 days of notice of the allocation by SCAP, refer the case to the RTC for final settlement. The RTC may, by a simple majority vote of those members present, decide to refer the case for final decision to a system of arbitration to be provided by the RTC. Referral of the dispute to the RTC shall suspend the effect of the allocation made by SCAP until final decision by the RTC. If the RTC fails to refer the case to arbitration, the allocation made by SCAP will be final. In the event of the referral of a case to arbitration, a final decision shall be made as soon as practicable but in no event later than 30 days.

g. to provide for review of valuations in accordance with the following procedure:

Upon receipt by members of the RTC of the valuations provided for in paragraphs 3 and 5 but prior to final allocation of any facility, and on request of any member the RTC may, by a simple majority vote of those members present, request SCAP to review any valuation or valuations which it considers to be inconsistent with valuations of other industrial facilities.

11. Claimant countries should be permitted to dispose of industrial facilities received from Japan on reparations account: to their own nationals, wherever domiciled and for use anywhere except in Japan; to any person of non-enemy nationality for use within the recipient country; and to satisfy private claims arising out of war damage. Countries receiving such facilities should obligate themselves not to offer them in whole or in part for sale or barter to another country within three years from the date of assignment of title of facilities, except as such facilities may be bartered among reparations recipient countries



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in exchange for other assets allocated on reparations account. In so far as fulfillment of the claim for industrial equipment is in excess of the ability or desire of the claimant country to utilize it, that country shall have the right to allocate or otherwise dispose of its claim, to other claimants and to Korea, on a political basis.

12. Claims for individual facilities should be filed with SCAP by a claimant country within six months after the fixing of a claimant country's final reparations percentage share, or receipt from SCAP of a final inventory and valuation of the facility, whichever is the later date. However, if the wishes of all countries with respect to an individual facility have been expressed in less than 6 months, immediate allocation should be made.

13. SCAP should arrange for the delivery at ports in Japan of reparations goods allocated to claimant countries after consultation with those countries to arrange suitable schedules for delivery. In arranging these schedules for delivery, SCAP should give consideration to the following items:

a. the order in which each claimant country desires that the different items comprising its share should be made available for shipment;

b. the preservation, as far as possible, of a reasonable balance among the rates at which the total shares of the several claimant countries are progressively satisfied by allocation and delivery, except in so far as this principle would operate against the interests of countries entitled to only a small share of total reparations.

In arranging with SCAP for the delivery of reparations goods, each claimant country may specify items totalling not more than 40 percent of its total share which should be delivered at the port within one year after allocation has been made. Claimant countries will undertake to accept goods no later than two years after their allocation.



FEC-RESTRICTEDENCLOSURE "B"EXPLANATORY MEMORANDUM ON SUBCOMMITTEE'S REVISION OF THE PAPER  
ON REPARATIONS ALLOCATIONS PROCEDURES (C1-211/10)Para 1

The Subcommittee decided to delete the introductory sentence of para 1 on the ground that it was superfluous in an FEC policy paper.

It was the understanding of the Subcommittee that the decisions of the Far Eastern Commission regarding availability for reparations transfer of categories of Japanese industry (referred to in this paragraph) were to be made in conformity with FEC decisions on the level of the Japanese peacetime economy.

Para 3

It was the understanding of the majority sub-committee that it was premature to consider either the valuation of industrial assets as compared to other classes or to attempt to develop at this time a basis of valuation which could apply to other classes of assets declared available for reparations. It was the understanding of the majority of the sub-committee that not until the final settlement for Japan when the over-all picture would be known could such matters be accurately determined. The sub-committee does not consider that the valuations provided for in Paragraph 3 for the purpose of comparison between industrial facilities should prejudice any final accounting for Japanese reparations which may at a later date be deemed proper and advisable.

Para 4

The Subcommittee rejected the Soviet amendment to para d of C1-211/10 (para 4 of the enclosed revision) on the ground that it was administratively impracticable.

Para 7

The Subcommittee rejected the Soviet amendment to para g of C1-211/10 (para 7 of the enclosed revision), on the ground that it too was administratively impracticable. Rejection of this amendment also entailed rejection of the Soviet amendment to paras e, h and l of C1-211/10 (paras 5, 8 and 12 of the Subcommittee's revision).

Para 8

It was the understanding of the Subcommittee that the terms of para h of C1-211/10 (para 8 of the enclosed revision) apply within and between the categories listed in this paragraph.

Para 10 b

It was the understanding of the Subcommittee that the system of arbitration referred to in this sub-paragraph could include any arbitration machinery composed of any number of persons deemed advisable by the RTC.

Enclosure "B"

- 1 -



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The Chinese and Indian Members proposed that the voting procedure referred to in line 10 of para 10 be altered to read "a simple majority of those members present and voting," but the majority of the Subcommittee favored the wording contained in the enclosed revision, which omits the words "and voting".

Para 10 c

It was the understanding of the Subcommittee that the review of valuations provided for in this sub-paragraph applies to valuations of individual facilities as well as to valuations of classes of facilities.

The Subcommittee made no provision in this sub-paragraph for changes in valuations resulting from losses or damage to facilities after allocation but prior to packing, since it was felt that this was adequately provided for in para. 6.

Para 12

The Subcommittee agreed to the retention of the six-months period in para 1 of C1-211/10 (the new para 12) out of deference to those countries with special problems, but recommends to the Committee that it request all countries to expedite the filing of their claims for individual facilities.

Para 13

The Subcommittee decided to transfer the substance of para \*f of C1-211/10 to para m of that paper (para 13 of the enclosed revision).



FEC-RESTRICTEDENCLOSURE "C"PROPOSED CANADIAN AMENDMENT TO PARA 10 b

b. In the event of dissatisfaction of one or more claimant countries with the allocation made by SCAP in accordance with the provisions of paragraph 7 of this policy, the dissatisfied country or countries may, within 30 days of notice of the allocation by SCAP, refer the case to the RTC for final settlement. Reference of the dispute to the RTC shall suspend the effect of the particular allocation by SCAP until the final settlement has been made. Upon such reference, the RTC may, by a simple majority of those present decide to hear the case or, if all the disputants concur, to refer it to arbitrators who should be chosen from those members not parties to the dispute, under a system of rotation whereby all members would share the duty equally over a period of time. The countries concerned shall be responsible for collecting and presenting the information on which the arbitrators or the RTC, as the case may be, should base their decision. If the RTC decides to hear the case or to refer it to arbitration, a final decision shall be made as soon as practicable, but in no event later than 30 days after the decision that an appeal should be heard. If the RTC decides neither to hear the case nor to refer it to arbitration the allocation made by SCAP will be final.



C1-234/1FEC-RESTRICTEDC1-234/123 September 1947FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONSSUMMARY OF DISCUSSION IN RTAC, TOKYO, ON VALUATIONS  
(References: MI-129/1, /2, /3, /4)Note by the Secretary General

The enclosure, a summary of discussions on the subject of valuations of reparations facilities, prepared by the Secretariat from the minutes of the Reparations Technical Advisory Committee (RTAC) in Tokyo, is circulated herewith for the information of COMMITTEE NO. 1: REPARATIONS.

NELSON T. JOHNSON  
Secretary General

C1-234/1



FEC-RESTRICTEDSUMMARY OF DISCUSSION IN RTAC, TOKYO, ON VALUATIONS

1. The following summary is divided into three parts: discussion of the use of SCAP valuations for purposes other than allocations; discussion of the question of appeal of valuations of particular facilities; discussion of all other aspects of valuations.

2. Use of SCAP Valuations -- The following question was asked General Harrison at the 3rd RTAC meeting:

Advice is desired as to whether there will be any direct relationship between the prices arrived at by the evaluation formula for machine tools, etc., and the final accounting system for reparations.

General Harrison replied that, "The purpose of evaluations as given in present directives was only to establish a relative value among the various types and items of industrial equipment which are included in the interim program and its subordinate part, the advance transfers program. The purpose of such ratios is to insure that each country receiving reparations will get the share prescribed for it by the FEC or the Peace Conference, whichever makes the decision." As a result of further discussion of this issue it was decided to appoint a Subcommittee to investigate the valuation question in greater detail with the idea of presenting recommendations to the Committee. At the 4th meeting of the RTAC the Subcommittee presented the following report:

"RTAC Subcommittee Recommendation on Evaluation"

The Committee selected to consider the evaluation of industrial assets subject to reparations respectfully submitted the following as the unanimous recommendation of the Subcommittee:

It is considered by the delegates of Claimant Nations that while not wishing to delay any distribution on the 30% Advance Program or Interim Program, the proposed method of evaluation be used for the purpose of distribution only. The formula as presented is not immediately acceptable if the resultant values are to be used in making adjustments in the final reparations settlement.

1. The proposed evaluation gives an inflated value.
2. That, if taken into account with other assets available or to be made available, in the final reparations settlement, the industrial assets will not represent a comparable value.
3. The overall value assigned is considered out of line with a true monetary value for the plants, machinery and equipment subject to reparations. It is recommended that an agreed percentage reduction will be made by industries to bring the value charged the Allied Nations into agreement with the real monetary value.

(Membership of the Subcommittee consisted of: Mr. H. Le Cheminant (Austral.), Mr. F. F. Ruthven (Can.), Mr. W. C. Hsieh (China), Mr. R. Y. Ducrest and Maj. Gen. G. Dolle (Fr.), Mr. M. G. Mout (Neth), Mr. T. H. Sumner (U.K.), and Major J. T. Nicholas, Chairman.)



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Subsequent discussion indicated that a majority of RTAC Members felt that it would be wise for the RTAC to recommend specific percentages by which reduction of SCAP valuations should be made for purposes of eventual "paper entry against over-all reparations". General Harrison said he had no objection to the RTAC's appointing a Subcommittee to study this problem with the understanding that the purpose of the Subcommittee's work would be "to aid their Government representatives on the FEC or in the Peace Conference in determining evaluations in the final program." To date (12 August 1947 -- 7th RTAC Meeting) no report has been submitted by the Subcommittee.

3. Appeal of Particular Valuations -- At the 4th RTAC Meeting General Harrison was asked the following question:

Will the claimant nation be able to obtain a revision of the evaluation of a plant as a result of observations made by the claimant engineer during dismantling of the plant?

General Harrison replied that if damage occurred during the dismantling of a particular reparations facility, the value would be reduced accordingly; or if unsuspected damage or latent defects were noted in the dismantling processes there would be a re-valuation on the basis of the new data on hand. Revisions of valuations would, however, not be allowed under any other circumstances, since it would be impossible to retain comparability among valuations if each Member could seek re-valuations in accordance with his own ideas.

4. Other Aspects of Valuation -- There was considerable discussion of many details of valuations procedure in the second, third and fourth meetings of the RTAC (see MI-129/1, /3, /4). Following is a list of some of the detailed aspects of valuations which were discussed at these meetings:

1. 1939 as yen year.
2. Difference between contract price level and payment price level.
3. Damage factor.
4. Computation of costs of buildings as compared with industrial facilities.
5. Depreciation and obsolescence.
6. Differences in maintenance, reconditioning of machines, etc. as between industries and between separate plants in the same industry.
7. Capacity as a possible basis of valuation.
8. Scrap value.

Records of these discussions can be found on the following pages of the RTAC minutes:

MI-129/1 -- pages 6 through 9.  
MI-129/3 -- pages 5 through 10.  
MI-129/4 -- pages 2 through 5.



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The governing paper on allocations procedures issued by SCAP to RTAC Members is entitled Evaluations of Industrial Assets Available for Reparations, circulated as MI-129/2. Special directions governing the allocations procedures for machine tools under the advance transfers program were set forth under the title Allocations Procedures for Distribution of Machine Tools in the Advance Transfers Program, circulated as an appendix to the minutes of the fourth RTAC meeting, MI-129/4.



C1-211/11FEC-RESTRICTEDC1-211/118 December 1947FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONSREPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL FACILITIES IN JAPAN: SUBCOMMITTEE REVISION OF C1-211/10Note by the Secretary General

1. Enclosure "A", a revision of the paper on reparations allocations procedures for industrial facilities in Japan, prepared by the Ad Hoc Subcommittee appointed by Committee No. 1 at its one hundred and seventeenth meeting on 23 July 1947, is submitted herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.

2. Enclosure "B" contains an explanatory memorandum regarding the revision of C1-211/10 contained in Enclosure "A".

3. Enclosure "C" contains a guide to the new paragraph numbering system in Enclosure "A" as compared with the numbering system used in C1-211/10.

NELSON T. JOHNSON  
Secretary General

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FEC-RESTRICTEDENCLOSURE "A"REPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL  
FACILITIES IN JAPAN: SUBCOMMITTEE REVISION  
OF CI-211/10

1. SCAP should be responsible for selection of the particular industrial facilities to be made available for removal from Japan as reparations in accordance with relevant policy decisions under the Terms of Reference of the Far Eastern Commission.

2. SCAP should prepare an inventory of the individual Japanese industrial facilities selected in accordance with paragraph 1 above. This inventory should include any available information which would aid a prospective claimant in determining the utility of the individual facility, such as technical specifications, make, age and condition.

3. SCAP should determine the procedure for uniform monetary valuations and should assign such valuations to industrial facilities selected and listed under Paragraphs 1 and 2 above. The purpose of such valuations is solely to provide a uniform basis of comparison among industrial facilities for the purpose of allocation. Such valuations, therefore, need have no direct relation to any other values so long as they are consistent among the reparations assets comprised of industrial facilities. Valuations should be in sufficient detail to permit charges to be made for parts of plants which may be allocated separately.

4. SCAP should submit to representatives of countries, members of the FEC, the inventory provided for in paragraph 2 and the valuations provided for in paragraph 3.

5. Upon receipt of the inventory and the valuations mentioned above, a country, member of the FEC, may lodge with SCAP claims for the allocation to it of particular industrial facilities.

6. SCAP should set up reparations accounts for recipient countries. The value of the facilities received by any one country should not exceed its percentage share of the total value of the industrial facilities selected by SCAP for removal as reparations. In accordance with FEC-094/4 (DELIVERY OF REPARATIONS GOODS IN JAPAN, approved by the Far Eastern Commission on 13 February 1947 and transmitted to the Supreme Commander on 19 February 1947 as Directive Serial No. 69) a recipient country will make a commitment to accept a specific facility at the time allocation is made. SCAP should likewise agree to reserve the accepted facility for the recipient country. At such time SCAP should make an initial charge to the country's reparations account of the value assigned to the facility. When final title is taken by a country on delivery of the facility aboard ship, a final charge should be made against the country's reparations account, making allowance, if necessary, for any unforeseen loss of value. When, after allocation but prior to packing, an item of reparations is found on inspection not to conform substantially to the particulars given in the inventory the country may refuse to accept



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such item and its reparations account should be credited with the charge previously made for the item. The provisions of the foregoing sentence should also apply where substantial damage or loss is sustained in transit to the port in Japan.

7. SCAP should allocate particular industrial facilities to each country on the basis of claims submitted by that country. When two or more countries file claim for the same facility, SCAP should work out what seems to him the most reasonable allocation, taking into primary consideration the proportion of each country's allocation still unfilled. After taking into account this primary consideration, SCAP should give consideration to the following criteria in stated order of priority:

a. claims for whole plants and related facilities as opposed to claims for portions thereof;

b. the extent to which the claimed item or items would replace property which was destroyed, damaged or looted by Japan, or which requires replacement because of excessive use as a result of engaging in hostilities against Japan;

c. the extent to which the claimed item or items can be integrated into the general pattern of the claimant country's economic life, having regard to the former dependence of the claimant country on imports from Japan of the item or items (or products thereof) claimed, and the contribution of the claimed item or items to programs for the claimant country's economic adjustment, including the development of resources contributing to the welfare of the Far East.

In the application of all the above criteria due regard should be given to the special problems of countries receiving only small shares.

8. In making allocations as provided by paragraph 7, SCAP should, to the extent practicable, give consideration to striking a fair and equitable balance as between all claimant countries of items:

a. in integrated or consolidated units,

b. of modern and efficient design and manufacture,

c. in good working condition.

9. Each country represented on the FEC should be permitted to have a reparations technical mission in Japan. These missions should be afforded full opportunity for inspection of plants declared available, and should be kept fully informed by SCAP of all designations and allocations. They should be authorized by their Governments to receive inventories, valuations and other communications from SCAP relating to reparations, to lodge claims, to make commitments to accept title to plants selected, to accept final title to industrial facilities on reparations accounts, and to make all necessary arrangements with SCAP including scheduling the required shipping for the actual removal of allocated facilities in accordance with the principles laid down in FEC-094/4 (DELIVERY OF REPARATIONS GOODS IN JAPAN, approved by the Far Eastern Commission on 13 February 1947 and transmitted to the Supreme Commander on 19 February 1947 as Directive Serial No. 69). The Reparations



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Technical Missions should also be authorized to provide such technical information and advice regarding industrial facilities suitable for use by the potentially recipient countries as may be considered of assistance to SCAP in selecting plants and equipment for reparations removal.

10. SCAP should organize a Reparations Technical Committee (RTC) composed of the heads of the above Reparations Technical Missions with a non-voting chairman representing SCAP. The functions of this Committee should be:

a. to assist SCAP in an advisory capacity, in the development of technical and administrative procedures to assure an orderly removal of reparations goods from Japan;

b. to provide for adjudication of disputes arising out of competing claims of countries for the same facility or facilities in accordance with the following procedure:

In the event of dissatisfaction of one or more of the claimant countries with the allocation made by SCAP in accordance with the provisions of para. 7 of this policy, the dissatisfied country or countries may, within 30 days of notice of the allocation by SCAP, refer the case to the RTC for final settlement. Upon such reference the RTC may, by a simple majority of those present, decide to hear the case or, if all the disputants concur, refer it to arbitrators. When arbitrators are chosen from among the members of the RTC, the duty of arbitration should be shared as equitably as possible. If the RTC fails to refer the case to arbitration, the allocation made by SCAP will be final. In the event of the referral of a case to arbitration, a final decision shall be made as soon as practicable but in no event later than 30 days.

c. to provide for review of valuations in accordance with the following procedure:

Upon receipt by members of the RTC of the valuations provided for in paragraphs 3 and 5 but prior to final allocation of any facility, and on request of any member the RTC may, by a simple majority vote of those members present, request SCAP to review any valuation or valuations which it considers to be inconsistent with valuations of other industrial facilities.

11. Claimant countries should be permitted to dispose of industrial facilities received from Japan on reparations account: to their own nationals, wherever domiciled and for use anywhere except in Japan; to any person of non-enemy nationality for use within the recipient country; and to satisfy private claims arising out of war damage. Countries receiving such facilities should obligate themselves not to offer them in whole or in part for sale or barter to another country within three years from the date of assignment of title of facilities, except as such facilities may be bartered among reparations recipient countries in exchange for other assets allocated on reparations account. In so far as fulfillment of the authorized share of industrial equipment is in excess of the ability or desire of the claimant country to utilize it, that country shall have the right to allocate or otherwise dispose of its share, to other claimants and to Korea, on a political basis.

12. Claims for individual facilities should be filed with SCAP by a claimant country within six months after the fixing of a claimant country's final reparations percentage share, or receipt from SCAP of a final inventory and valuation of the



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facility, whichever is the later date. However, if the wishes of all countries with respect to an individual facility have been expressed in less than 6 months, immediate allocation should be made.

13. SCAP should arrange for the delivery at ports in Japan of reparations goods allocated to claimant countries after consultation with those countries to arrange suitable schedules for delivery. In arranging these schedules for delivery, SCAP should give consideration to the following items:

a. the order in which each claimant country desires that the different items comprising its share should be made available for shipment;

b. the preservation, as far as possible, of a reasonable balance among the rates at which the total shares of the several claimant countries are progressively satisfied by allocation and delivery, except in so far as this principle would operate against the interests of countries entitled to only a small share of total reparations.

In arranging with SCAP for the delivery of reparations goods, each claimant country may specify items totalling not more than 40 percent of its total share which should be delivered at the port within one year after allocation has been made. Claimant countries will agree to accept delivery of goods no later than two years after their allocation, providing that such goods have been delivered to the loading point at the port within a reasonable time before the end of that period.

14. Industrial facilities, machinery or equipment (other than specialized war-making equipment) declared available for reparations, but either

a. unclaimed for application against recognized reparations claims on Japanese assets from within Japan, or

b. unaccepted as prescribed by paragraph 13 above,

should be disposed of in accordance with the procedure in paragraph 6 of FEC-084/21 (REDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL approved by the Far Eastern Commission on 14 August 1947 and forwarded to the Supreme Commander on 23 August 1947 as Directive Serial Number 87.)



ENCLOSURE "B"EXPLANATORY MEMORANDUM REGARDING SUBCOMMITTEE'S REVISION OF  
THE PAPER ON REPARATIONS ALLOCATIONS PROCEDURES (CI-211/10)Para 1

The Subcommittee decided to delete the introductory sentence of para 1 on the ground that it was superfluous in an FEC policy paper.

It was the understanding of the Subcommittee that the decisions of the Far Eastern Commission regarding availability for reparations transfer of categories of Japanese industry (referred to in this paragraph) were to be made in conformity with FEC decisions on the level of the Japanese peacetime economy.

Para 3

It was the understanding of the majority of the subcommittee that it was premature to consider either the valuation of industrial assets as compared to other classes of assets which might be declared available for reparations or to attempt to develop at this time a basis of valuation which could apply to such other classes of assets. It was the understanding of the majority of the sub-committee that not until the final settlement for Japan, when the over-all picture would be known, could such matters be accurately determined. The subcommittee does not consider that the valuations provided for in Paragraph 3 for the purpose of comparison between industrial facilities should prejudice any final accounting for Japanese reparations which may at a later date be deemed proper and advisable.

Para 8

It was the understanding of the Subcommittee that the terms of paragraph 8 apply both within and between the categories listed in this paragraph.

Para 10 b

It was the understanding of the Subcommittee that the system of arbitration referred to in this sub-paragraph could include any arbitration machinery composed of any number of persons deemed advisable by the RTC.

The Chinese and Indian Members proposed that the voting procedure referred to in subparagraph 10 b be altered to read "a simple majority of those members present and voting". The majority of the Subcommittee, however, favored the wording contained in the enclosed revision, which omits the words "and voting".

The Canadian Government is of the opinion that this paragraph should have contained some form of specific provision for the rotation of arbitral duties, to ensure that individual members of the RTC are not asked to perform these duties with disproportionate frequency. The Canadian member of the RTC will feel free to decline to arbitrate in any particular dispute or disputes if the duties of arbitration become too onerous or are not shared fairly among all the members.



FEC-RESTRICTEDPara 10 c

It was the understanding of the Subcommittee that the review of valuations provided for in this sub-paragraph applies to valuations of individual facilities as well as to valuations of classes of facilities.

The Subcommittee made no provision in this sub-paragraph for changes in valuations resulting from losses or damage to facilities after allocation but prior to packing since it was felt that this was adequately provided for in paragraph 6.

Para 11

In submitting this revision to the Committee, the Subcommittee reports that, while it has discussed paragraph 11, it has not come to any decision regarding it. The Subcommittee will resume its discussions of this paragraph if the Committee should so decide.

The Chinese Member said that he would prefer the deletion in the second sentence of this paragraph of any reference to the three-year period during which countries would be obligated not to offer reparations facilities for sale or barter to another country. His proposal would be to delete from "countries receiving" to "except as such" and start the second sentence of the paragraph with "Facilities may be bartered....etc."

Para 12

The Subcommittee agreed to the retention of the six-months period in paragraph 12 out of deference to those countries with special problems, but recommends to the Committee that it request all countries to expedite the filing of their claims for individual facilities.

Para 13

The Subcommittee decided to transfer the substance of para \*f of C1-211/10 to paragraph 13 of the enclosed revision.

Para o of C1-211/10

The Subcommittee agreed to delete this paragraph from the paper on the understanding that the subject matter contained therein would be considered at such time as countries not members of the FEC may be authorized to receive reparations from Japan.

Para 2 of C1-211/10

The Committee agreed to delete this paragraph from the paper on the understanding that the application of the provisions of this paper to the Advance Transfers program should be determined by the Committee at the time it decides to adopt the paper for forwarding to the Steering Committee.



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ENCLOSURE "C"

GUIDE TO NEW PARAGRAPH NUMBERING

The following is a comparison of the paragraph numbering system used in the enclosed revision (Enclosure "A") with the numbering system used in C1-211/10:

<u>Numbering System Used in Subcommittee's Revision - Enclosure "A"</u>	<u>Corresponding Paragraph in C1-211/10</u>
1 . . . . .	1 a
2 . . . . .	b
3 . . . . .	c
4 . . . . .	d
5 . . . . .	e
6 . . . . .	f
7 . . . . .	g
8 . . . . .	h
9 . . . . .	i
10 . . . . .	j
11 . . . . .	k
12 . . . . .	l
13 . . . . .	m
14 . . . . .	n



C1-211/12FEC-RESTRICTEDC1-211/1210 December 1947FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONSREPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL FACILITIES IN JAPAN: SUBCOMMITTEE REVISION OF C1-211/10  
(Reference: 211 Series)Note by the Secretary General

1. This document is a re-issue of C1-211/11 for the purpose of correcting a number of drafting errors that occurred in the preparation of that paper. The present document thus fully replaces C1-211/11.

2. Enclosure "A", a revision of the paper on reparations allocations procedures for industrial facilities in Japan, prepared by the Ad Hoc Subcommittee appointed by Committee No. 1 at its one hundred and seventeenth meeting on 23 July 1947, is submitted herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.

3. Enclosure "B" contains an explanatory memorandum regarding the revision of C1-211/10 contained in Enclosure "A".

4. Enclosure "C" contains a guide to the new paragraph numbering system in Enclosure "A" as compared with the numbering system used in C1-211/10.

NELSON T. JOHNSON  
Secretary General

C1-211/12



FEC-RESTRICTEDENCLOSURE "A"REPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL  
FACILITIES IN JAPAN: SUBCOMMITTEE REVISION  
OF CI-211/10

1. SCAP should be responsible for selection of the particular industrial facilities to be made available for removal from Japan as reparations in accordance with relevant policy decisions under the Terms of Reference of the Far Eastern Commission.
2. SCAP should prepare an inventory of the individual Japanese industrial facilities selected in accordance with paragraph 1 above. This inventory should include any available information which would aid a prospective claimant in determining the utility of the individual facility, such as technical specifications, make, age and condition.
3. SCAP should determine the procedure for uniform monetary valuations and should assign such valuations to industrial facilities selected and listed under Paragraphs 1 and 2 above. The purpose of such valuations is solely to provide a uniform basis of comparison among industrial facilities for the purpose of allocation. Such valuations, therefore, need have no direct relation to any other values so long as they are consistent among the reparations assets comprised of industrial facilities. Valuations should be in sufficient detail to permit charges to be made for parts of plants which may be allocated separately.
4. SCAP should submit to representatives of countries, members of the FEC, the inventory provided for in paragraph 2 and the valuations provided for in paragraph 3.
5. Upon receipt of the inventory and the valuations mentioned above, a country, member of the FEC, may lodge with SCAP claims for the allocation to it of particular industrial facilities.
6. SCAP should set up reparations accounts for recipient countries. The value of the facilities received by any one country should not exceed its percentage share of the total value of the industrial facilities selected by SCAP for removal as reparations. In accordance with FEC-094/4 (DELIVERY OF REPARATIONS GOODS IN JAPAN, approved by the Far Eastern Commission on 13 February 1947 and transmitted to the Supreme Commander on 19 February 1947 as Directive Serial No. 69) a recipient country will make a commitment to accept a specific facility at the time allocation is made. SCAP should likewise agree to reserve the accepted facility for the recipient country. At such time SCAP should make an initial charge to the country's reparations account of the value assigned to the facility. When final title is taken by a country on delivery of the facility aboard ship, a final charge should be made against the country's reparations account, making allowance, if necessary, for any unforeseen loss of value. When, after allocation but prior to packing, an item of reparations is found on inspection not to conform substantially to the particulars given in the inventory the country may refuse to accept

Enclosure "A"

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such item and its reparations account should be credited with the charge previously made for the item. The provisions of the foregoing sentence should also apply where substantial damage or loss is sustained in transit to the port in Japan.

7. SCAP should allocate particular industrial facilities to each country on the basis of claims submitted by that country. When two or more countries file claim for the same facility, SCAP should work out what seems to him the most reasonable allocation, taking into primary consideration the proportion of each country's allocation still unfilled. After taking into account this primary consideration, SCAP should give consideration to the following criteria in stated order of priority:

a. claims for whole plants and related facilities as opposed to claims for portions thereof;

b. the extent to which the claimed item or items would replace property which was destroyed, damaged or looted by Japan; or which requires replacement because of excessive use as a result of engaging in hostilities against Japan;

c. the extent to which the claimed item or items can be integrated into the general pattern of the claimant country's economic life, having regard to the former dependence of the claimant country on imports from Japan of the item or items (or products thereof) claimed, and the contribution of the claimed item or items to programs for the claimant country's economic adjustment, including the development of resources contributing to the welfare of the Far East *and the Pacific area.*

(A45)

In the application of all the above criteria due regard should be given to the special problems of countries receiving only small shares.

8. In making allocations as provided by paragraph 7, SCAP should, to the extent practicable, give consideration to striking a fair and equitable balance as between all claimant countries of items:

a. in integrated or consolidated units,

b. of modern and efficient design and manufacture,

c. in good working condition.

9. Each country represented on the FEC should be permitted to have a reparations technical mission in Japan. These missions should be afforded full opportunity for inspection of plants declared available, and should be kept fully informed by SCAP of all designations and allocations. They should be authorized by their Governments to receive inventories, valuations and other communications from SCAP relating to reparations, to lodge claims, to make commitments to accept title to plants selected, to accept final title to industrial facilities on reparations account, and to make all necessary arrangements with SCAP including scheduling the required shipping for the actual removal of allocated facilities in accordance with the principles laid down in FEC-094/4 (DELIVERY OF REPARATIONS GOODS IN JAPAN, approved by the Far Eastern Commission on 13 February 1947 and transmitted to the Supreme Commander on 19 February 1947 as Directive Serial No. 69). The Reparations

*Ch. [unclear]*



REC-RESTRICTED

Technical Missions should also be authorized to provide such technical information and advice regarding industrial facilities suitable for use by the potentially recipient countries as may be considered of assistance to SCAP in selecting plants and equipment for reparations removal.

10. SCAP should organize a Reparations Technical Committee (RTC) composed of the heads of the above Reparations Technical Missions with a non-voting chairman representing SCAP. The functions of this Committee should be:

a. to assist SCAP in an advisory capacity, in the development of technical and administrative procedures to assure an orderly removal of reparations goods from Japan;

b. in the event of dissatisfaction of one or more claimant countries with the allocation made by SCAP in accordance with the provisions of paragraph 7 of this policy, the dissatisfied country or countries may, within 30 days of notice of the allocation by SCAP, refer the case to the RTC for final settlement. Reference of the dispute to the RTC shall suspend the effect of the particular allocation by SCAP until the final settlement has been made. Upon such reference the RTC may, by a simple majority of those present, decide to hear the case or, if all the disputants concur, refer it to arbitrators. When arbitrators are chosen from among the members of the RTC, the duty of arbitration should be shared as equitably as possible. The countries concerned shall be responsible for collecting and presenting the information on which the arbitrators or the RTC, as the case may be, should base their decision. If the RTC decides to hear the case or to refer it to arbitration, a final decision shall be made as soon as practicable, but in no event later than 30 days after the decision that an appeal should be heard. If the RTC decides neither to hear the case nor to refer it to arbitration the allocation made by SCAP will be final.

c. to provide for review of valuations in accordance with the following procedure:

Upon receipt by members of the RTC of the valuations provided for in paragraphs 3 and 5 but prior to final allocation of any facility, and on request of any member the RTC may, by a simple majority vote of those members present, request SCAP to review any valuation or valuations which it considers to be inconsistent with valuations of other industrial facilities.

11. Claimant countries should be permitted to dispose of industrial facilities received from Japan on reparations account: to their own nationals, wherever domiciled and for use anywhere except in Japan; to any person of non-enemy nationality for use within the recipient country; and to satisfy private claims arising out of war damage. Countries receiving such facilities should obligate themselves not to offer them in whole or in part for sale or barter to another country within three years from the date of assignment of title of facilities, except as such facilities may be bartered among reparations recipient countries in exchange for other assets allocated on reparations account. In so far as fulfillment of the authorized share of industrial equipment is in excess of the ability or desire of the claimant country to utilize it, that country shall have the right to allocate or otherwise dispose of its share, to other claimants and to Korea, on a political basis.

*within 30 days of the reference to the dispute to be heard - or*



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12. Claims for individual facilities should be filed with SCAP by a claimant country within six months after the fixing of a claimant country's final reparations percentage share, or receipt from SCAP of a final inventory and valuation of the facility, whichever is the later date. However, if the wishes of all countries with respect to an individual facility have been expressed in less than 6 months, immediate allocation should be made.

13. SCAP should arrange for the delivery at ports in Japan of reparations goods allocated to claimant countries after consultation with those countries to arrange suitable schedules for delivery. In arranging those schedules for delivery, SCAP should give consideration to the following:

a. the order in which each claimant country desires that the different items comprising its share should be made available for shipment;

b. the preservation, as far as possible, of a reasonable balance among the rates at which the total shares of the several claimant countries are progressively satisfied by allocation and delivery, except in so far as this principle would operate against the interests of countries entitled to only a small share of total reparations.

In arranging with SCAP for the delivery of reparations goods, each claimant country may specify items totalling not more than 40 percent of its total share which should be delivered at the port within one year after allocation has been made. Claimant countries will agree to accept delivery of goods no later than two years after their allocation, providing that such goods have been delivered to the loading point at the port within a reasonable time before the end of that period.

14. Industrial facilities, machinery or equipment (other than specialized war-making equipment) declared available for reparations, but either

a. unclaimed for application against recognized reparations claims on Japanese assets from within Japan, or

b. unaccepted as prescribed by paragraph 13 above,

should be disposed of in accordance with the procedure in paragraph 6 of FEC-084/21 (REDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL approved by the Far Eastern Commission on 14 August 1947 and forwarded to the Supreme Commander on 23 August 1947 as Directive Serial Number 87.)



FEC-RESTRICTEDENCLOSURE "B"EXPLANATORY MEMORANDUM REGARDING SUBCOMMITTEE'S REVISION OF  
THE PAPER ON REPARATIONS ALLOCATIONS PROCEDURES (CI-211/10)Para 1

The Subcommittee decided to delete the introductory sentence of para 1 on the ground that it was superfluous in an FEC policy paper.

It was the understanding of the Subcommittee that the decisions of the Far Eastern Commission regarding availability for reparations transfer of categories of Japanese industry (referred to in this paragraph) were to be made in conformity with FEC decisions on the level of the Japanese peacetime economy.

Para 3

It was the understanding of the majority of the subcommittee that it was premature to consider either the valuation of industrial assets as compared to other classes of assets which might be declared available for reparations or to attempt to develop at this time a basis of valuation which could apply to such other classes of assets. It was the understanding of the majority of the sub-committee that not until the final settlement for Japan, when the over-all picture would be known, could such matters be accurately determined. The subcommittee does not consider that the valuations provided for in Paragraph 3 for the purpose of comparison between industrial facilities should prejudice any final accounting for Japanese reparations which may at a later date be deemed proper and advisable.

Para 8

It was the understanding of the Subcommittee that the terms of paragraph 8 apply both within and between the categories listed in this paragraph.

Para 10 b

It was the understanding of the Subcommittee that the system of arbitration referred to in this sub-paragraph could include any arbitration machinery composed of any number of persons deemed advisable by the RTC.

The Chinese and Indian Members proposed that the voting procedure referred to in subparagraph 10 b be altered to read "a simple majority of those members present and voting". The majority of the Subcommittee, however, favored the wording contained in the enclosed revision, which omits the words "and voting".

The Canadian Government is of the opinion that this paragraph should have contained some form of specific provision for the rotation of arbitral duties, to ensure that individual members of the RTC are not asked to perform these duties with disproportionate frequency. The Canadian member of the RTC will feel free to decline to arbitrate in any particular dispute or disputes if the duties of arbitration become too onerous or are not shared fairly among all the members.



FEC-RESTRICTEDPara 10 c

It was the understanding of the Subcommittee that the review of valuations provided for in this sub-paragraph applies to valuations of individual facilities as well as to valuations of classes of facilities.

The Subcommittee made no provision in this sub-paragraph for changes in valuations resulting from losses or damage to facilities after allocation but prior to packing since it was felt that this was adequately provided for in paragraph 6.

Para 11

In submitting this revision to the Committee, the Subcommittee reports that, while it has discussed paragraph 11, it has not come to any decision regarding it. The Subcommittee will resume its discussions of this paragraph if the Committee should so decide. Two members of the Subcommittee considered that the matter discussed in the final sentence of this paragraph was more closely related to the subject of reparations shares and was not strictly relevant to this paper.

The Chinese Member said that he would prefer the deletion in the second sentence of this paragraph of any reference to the three-year period during which countries would be obligated not to offer reparations facilities for sale or barter to another country. His proposal would be to delete from "countries receiving" to "except as such" and start the second sentence of the paragraph with "Facilities may be bartered....etc."

Para 12

The Subcommittee agreed to the retention of the six-months period in paragraph 12 out of deference to those countries with special problems, but recommends to the Committee that it request all countries to expedite the filing of their claims for individual facilities.

Para 13

The Subcommittee decided to transfer the substance of para \*f of C1-211/10 to paragraph 13 of the enclosed revision.

Para o of C1-211/10

The Subcommittee agreed to delete this paragraph from the paper on the understanding that the subject matter contained therein would be considered at such time as countries not members of the FEC may be authorized to receive reparations from Japan.

Para 2 of C1-211/10

The <sup>Sub</sup>Committee agreed to delete this paragraph from the paper on the understanding that the application of the provisions of this paper to the Advance Transfers program should be determined by the Committee at the time it decides to adopt the paper for forwarding to the Steering Committee.



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ENCLOSURE "C"

GUIDE TO NEW PARAGRAPH NUMBERING

The following is a comparison of the paragraph numbering system used in the enclosed revision (Enclosure "A") with the numbering system used in CI-211/10:

<u>Numbering System Used in Subcommittee's Revision - Enclosure "A"</u>	<u>Corresponding Paragraph in CI-211/10</u>
1 . . . . .	1 a
2 . . . . .	b
3 . . . . .	c
4 . . . . .	d
5 . . . . .	e
6 . . . . .	f
7 . . . . .	g
8 . . . . .	h
9 . . . . .	i
10 . . . . .	j
11 . . . . .	k
12 . . . . .	l
13 . . . . .	m
14 . . . . .	n



CI-211/12

U. S. minor changes suggested at 145th Mtg, 28 Jan '48:

Paragraph 6

Line 9: substitute the word "claimant" for the word "recipient".

Line 11: " " " " " " " "

Line 15: substitute the word "carrier" for the word "ship"

Last sentence of paragraph 6 contained a new idea which might involve difficulties on the U. S. side, but U.S. Member said he would attempt to have it accepted.

Paragraph 7. b

Lines 4 and 5: Substitute the words "incident to prosecuting the war against Japan" for the words "as a result of engaging in hostilities against Japan"

Paragraph 7. c

U. S. Member pointed out that the final part of the paragraph referring to the contribution to programs for economic adjustment was not an objective criterion.

Australian Member: add the words "and the Pacific Area" after the words "Far East" (last line)

Philippine Member: add the words "relief and" after the word "country's" (line 7)



C1-211/13FEC-RESTRICTEDC1-211/1313 January 1948FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONSREPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL  
FACILITIES IN JAPAN  
(Reference: C1-211/12)Note by the Secretary General

1. Enclosure "A" an amendment to paragraph 10, b of C1-211/12, Reparations Allocations Procedures for Industrial Facilities in Japan, adopted by Committee No. 1 at its one hundred forty-second meeting on 7 January 1948, is circulated herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.

2. Enclosure "B" is a proposed amendment to paragraph 7, b of C1-211/12, submitted by the Chinese Member at the one hundred forty-second meeting of Committee No. 1, and is circulated herewith for the further consideration of COMMITTEE NO. 1: REPARATIONS.

NELSON T. JOHNSON  
Secretary General

C1-211/13



FEC-RESTRICTEDENCLOSURE "A"AMENDMENT TO PARAGRAPH 10, b OF C1-211/12

The following amendment to paragraph 10, b of C1-211/12 was adopted by Committee No. 1 at its one hundred forty-second meeting on 7 January 1948:

Last sentence of paragraph 10, b to be amended to read as follows:

If the RTC, within 30 days of the reference to it of the dispute, does not decide either to hear the case or to refer it to arbitration, the allocation made by SCAP will be final.



FEC-RESTRICTEDENCLOSURE "B"PROPOSED CHINESE AMENDMENT TO PARAGRAPH 7 OF C1-211/12

The Chinese Member proposed at the one hundred forty-second meeting of Committee No. 1 to break up sub-paragraph 7 b into two sub-paragraphs, b and c, the former sub-paragraph c becoming a new sub-paragraph d. Paragraph 7 would then read as follows:

7. SCAP should allocate particular industrial facilities to each country on the basis of claims submitted by that country. When two or more countries file claim for the same facility, SCAP should work out what seems to him the most reasonable allocation, taking into primary consideration the proportion of each country's allocation still unfilled. After taking into account this primary consideration, SCAP should give consideration to the following criteria in stated order of priority:

a. claims for whole plants and related facilities as opposed to claims for portions thereof;

b. the extent to which the claimed item or items would replace property which was destroyed, damaged, or looted by Japan;

c. the extent to which the claimed item or items require replacement because of excessive use as a result of engaging in hostilities against Japan;

d. the extent to which the claimed item or items can be integrated into the general pattern of the claimant country's economic life, having regard to the former dependence of the claimant country on imports from Japan of the item or items (or products thereof) claimed, and the contribution of the claimed item or items to programs for the claimant country's economic adjustment, including the development of resources contributing to the welfare of the Far East.



Minister Y.C. Yang's Statement on  
Chinese Amendment to Paragraph 7(b) of Reparations  
Allocations Procedure for Industrial Facilities in Japan

In the light of views expressed by the various members represented on the table, I wish to make a brief remark concerning the Chinese amendment to paragraph 7 (b) of Reparations Allocations Procedure for Industrial Facilities in Japan with a view to clarifying our position.

What we had in mind was that items destroyed or looted or damaged beyond repair by Japan should be placed in priority before items which could still be repaired. We were not sure that the clause "item or items which require/replacement because of excessive use" would include only those which had been totally worn out and beyond repairs. If so, we would suggest a change of the wording in order to make the intent more explicit, since the present phraseology of the second clause of paragraph 7 (b) could be interpreted to cover also those item or items which are still operable but require replacement because of loss of efficiency. It is our view that such item or items should be placed in a lower priority than those item or items either destroyed, damaged beyond repairs, or looted by Japan. Only in this order of priority can an equitable basis for allocating industrial facilities be arrived at.

I have no preference as to the exact wording of our amendment so long as our intent as stated above could be made clear. Such wording as the following would be equally acceptable to us.

"the extent to which the claimed item or items would replace property which was destroyed, damaged beyond repairs or looted by Japan, or which was worn out beyond repairs because of excessive use as a result of engaging in hostilities against Japan.

"the extent to which the claimed item or items would replace property which was damaged but repairable or worn out through excessive use as a result of engaging in hostilities against Japan, but which was repairable.

If some such verbal changes could achieve the purpose of attainment of a general agreement, I shall welcome suggestions or comments from other members.

COBY

CHINESE BRANCH COMMISSION

1945 (10) 10



CI-211/14FEC-RESTRICTEDCI-211/149 February 1948FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONSREPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL  
FACILITIES IN JAPAN: COMMITTEE WORKING DRAFT  
(Reference: CI-211 Series)Note by the Secretary General

1. Enclosure "A" is a working draft of a proposed policy on reparations allocations procedures for industrial facilities in Japan containing the Subcommittee's revision of paragraph 11 and all amendments to CI-211/12 adopted to date by the Committee and is circulated for the further consideration of Committee No.1: Reparations.

2. Enclosure "B" contains an explanatory memorandum by the Subcommittee regarding the draft reported to the Committee in CI-211/12. Due to an oversight on the part of the Secretariat a comment by the Subcommittee on paragraph 7 was omitted from the memorandum in CI-211/12. This comment has been added to the present draft and appears under the heading Para 7.

3. Enclosure "C" contains a guide to the new paragraph numbering system in Enclosure "A" as compared with the numbering system used in CI-211/10 of which the present draft is a revision.

✓ 4. Enclosure "D" contains minor amendments to the paper suggested by Members in the course of discussions of CI-211/12. These amendments await final Committee action.

5. This document fully replaces CI-211/12.

NELSON T. JOHNSON  
Secretary General

CI-211/14



FEC-RESTRICTEDENCLOSURE "A"REPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL FACILITIES IN JAPAN: COMMITTEE WORKING DRAFT

1. SCAP should be responsible for selection of the particular industrial facilities to be made available for removal from Japan as reparations in accordance with relevant policy decisions under the Terms of Reference of the Far Eastern Commission.
2. SCAP should prepare an inventory of the individual Japanese industrial facilities selected in accordance with paragraph 1 above. This inventory should include any available information which would aid a prospective claimant in determining the utility of the individual facility, such as technical specifications, make, age and condition.
3. SCAP should determine the procedure for uniform monetary valuations and should assign such valuations to industrial facilities selected and listed under paragraphs 1 and 2 above. The purpose of such valuations is solely to provide a uniform basis of comparison among industrial facilities for the purpose of allocation. Such valuations, therefore, need have no direct relation to any other values so long as they are consistent among the reparations assets comprised of industrial facilities. Valuations should be in sufficient detail to permit charges to be made for parts of plants which may be allocated separately.
4. SCAP should submit to representatives of countries, members of the FEC, the inventory provided for in paragraph 2 and the valuations provided for in paragraph 3.
5. Upon receipt of the inventory and the valuations mentioned above, a country, member of the FEC, may lodge with SCAP claims for the allocation to it of particular industrial facilities.
6. SCAP should set up reparations accounts for recipient countries. The value of the facilities received by any one country should not exceed its percentage share of the total value of the industrial facilities selected by SCAP for removal as reparations. In accordance with FEC-094/4 (DELIVERY OF REPARATIONS GOODS IN JAPAN, approved by the Far Eastern Commission on 13 February 1947 and transmitted to the Supreme Commander on 19 February 1947 as Directive Serial No. 69) a ~~recipient~~ *claimant* country will make a commitment to accept a specific facility at the time allocation is made. SCAP should likewise agree to reserve the accepted facility for the ~~recipient~~ *claimant* country. At such time SCAP should make an initial charge to the country's reparations account of the value assigned to the facility. When final title is taken by a country on delivery of the facility aboard ~~ship~~, a final charge should be made against the country's reparations account, making allowance, if necessary, for any unforeseen loss of value. When, after allocation but prior to packing, an item of reparations is found on inspection not to conform substantially to the particulars given in the inventory the country may refuse to accept

Enclosure 'A'

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such item and its reparations account should be credited with the charge previously made for the item. The provisions of the foregoing sentence should also apply where substantial damage or loss is sustained in transit to the port in Japan.

7. SCAP should allocate particular industrial facilities to each country on the basis of claims submitted by that country. When two or more countries file claim for the same facility, SCAP should work out what seems to him the most reasonable allocation, taking into primary consideration the proportion of each country's allocation still unfilled. After taking into account this primary consideration, SCAP should give consideration to the following criteria in stated order of priority:

a. claims for whole plants and related facilities as opposed to claims for portions thereof;

b. the extent to which the claimed item or items would replace property which was destroyed, damaged or looted by Japan, or which requires replacement because of excessive use as a result of engaging in hostilities against Japan; *WS*

c. the extent to which the claimed item or items can be integrated into the general pattern of the claimant country's economic life, having regard to the former dependence of the claimant country on imports from Japan of the item or items (or products thereof) claimed, and the contribution of the claimed item or items to programs for the claimant country's economic adjustment, including the development of resources contributing to the welfare of the Far East. *]*

*Also admit* →

In the application of all the above criteria due regard should be given to the special problems of countries receiving only small shares.

8. In making allocations as provided by paragraph 7, SCAP should, to the extent practicable, give consideration to striking a fair and equitable balance as between all claimant countries of items:

a. in integrated or consolidated units,

b. of modern and efficient design and manufacture,

c. in good working condition.

*+ taking into due acct. the need for items as part of entire rep only small shares (groups)*

9. Each country represented on the FEC should be permitted to have a reparations technical mission in Japan. These missions should be afforded full opportunity for inspection of plants declared available, and should be kept fully informed by SCAP of all designations and allocations. They should be authorized by their Governments to receive inventories, valuations and other communications from SCAP relating to reparations, to lodge claims, to make commitments to accept title to plants selected, to accept final title to industrial facilities on reparations account, and to make all necessary arrangements with SCAP including scheduling the required shipping for the actual removal of allocated facilities in accordance with the principles laid down in FEC-094/4 (DELIVERY OF REPARATIONS GOODS IN JAPAN, approved by the Far Eastern Commission on 13 February 1947 and transmitted to the Supreme Commander on 19 February 1947 as Directive Serial No. 69). The Reparations



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Technical Missions should also be authorized to provide such technical information and advice regarding industrial facilities suitable for use by the potentially recipient countries as may be considered of assistance to SCAP in selecting plants and equipment for reparations removal.

10. SCAP should organize a Reparations Technical Committee (RTC) composed of the heads of the above Reparations Technical Missions with a non-voting chairman representing SCAP. The functions of this Committee should be:

a. to assist SCAP in an advisory capacity, in the development of technical and administrative procedures to assure an orderly removal of reparations goods from Japan;

b. in the event of dissatisfaction of one or more claimant countries with the allocation made by SCAP in accordance with the provisions of paragraph 7 of this policy, the dissatisfied country or countries may, within 30 days of notice of the allocation by SCAP, refer the case to the RTC for final settlement. Reference of the dispute to the RTC shall suspend the effect of the particular allocation by SCAP until the final settlement has been made. Upon such reference the RTC may, by a simple majority of those present, decide to hear the case or, if all the disputants concur, refer it to arbitrators. When arbitrators are chosen from among the members of the RTC, the duty of arbitration should be shared as equitably as possible. The countries concerned shall be responsible for collecting and presenting the information on which the arbitrators or the RTC, as the case may be, should base their decision. If the RTC decides to hear the case or to refer it to arbitration, a final decision shall be made as soon as practicable, but in no event later than 30 days after the decision that an appeal should be heard. If the RTC, within 30 days of the reference to it of the dispute, does not decide either to hear the case or to refer it to arbitration, the allocation made by SCAP will be final.

c. to provide for review of valuations in accordance with the following procedure:

Upon receipt by members of the RTC of the valuations provided for in paragraphs 3 and 5 but prior to final allocation of any facility, and on request of any member the RTC may, by a simple majority vote of those members present, request SCAP to review any valuation or valuations which it considers to be inconsistent with valuations of other industrial facilities.

11. A country taking title to industrial facilities from Japan as reparations shall undertake not to dispose of such facilities in whole or in part within three years from assignment of title to them otherwise than as follows:

a. for use in its own territories or in territories for which it has international or established responsibility, but not in Japan or Germany;

b. for use by its own nationals anywhere except in Japan;

c. to satisfy claims of foreign nationals against the recipient country arising out of war damage.

The foregoing provisions shall not, however, preclude barter of such facilities among recipient countries in exchange for other assets allocated as reparations from Japan.



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12. Claims for individual facilities should be filed with SCAP by a claimant country within six months after the fixing of a claimant country's final reparations percentage share, or receipt from SCAP of a final inventory and valuation of the facility, whichever is the later date. However, if the wishes of all countries with respect to an individual facility have been expressed in less than 6 months, immediate allocation should be made.

13. SCAP should arrange for the delivery at ports in Japan of reparations goods allocated to claimant countries after consultation with those countries to arrange suitable schedules for delivery. In arranging those schedules for delivery, SCAP should give consideration to the following:

a. the order in which each claimant country desires that the different items comprising its share should be made available for shipment;

b. the preservation, as far as possible, of a reasonable balance among the rates at which the total shares of the several claimant countries are progressively satisfied by allocation and delivery, except in so far as this principle would operate against the interests of countries entitled to only a small share of total reparations.

In arranging with SCAP for the delivery of reparations goods, each claimant country may specify items totalling not more than 40 percent of its total share which should be delivered at the port within one year after allocation has been made. Claimant countries will agree to accept delivery of goods no later than two years after their allocation, providing that such goods have been delivered to the loading point at the port within a reasonable time before the end of that period.

14. Industrial facilities, machinery or equipment (other than specialized war-making equipment) declared available for reparations, but either

a. unclaimed for application against recognized reparations claims on Japanese assets from within Japan, or

b. unaccepted as prescribed by paragraph 13 above,

should be disposed of in accordance with the procedure in paragraph 6 of FEC-084/21 (REDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL approved by the Far Eastern Commission on 14 August 1947 and forwarded to the Supreme Commander on 23 August 1947 as Directive Serial Number 87.)

*not be destroyed pending receipt of  
dir. issued in acc*

Para 14



FEC-RESTRICTEDENCLOSURE "B"EXPLANATORY MEMORANDUM REGARDING SUBCOMMITTEE'S REVISION OF  
THE PAPER ON REPARATIONS ALLOCATIONS PROCEDURES (C1-211/10)Para 1

The Subcommittee decided to delete the introductory sentence of para 1 on the ground that it was superfluous in an FEC policy paper.

It was the understanding of the Subcommittee that the decisions of the Far Eastern Commission regarding availability for reparations transfer of categories of Japanese industry (referred to in this paragraph) were to be made in conformity with FEC decisions on the level of the Japanese peacetime economy.

Para 3

It was the understanding of the majority of the subcommittee that it was premature to consider either the valuation of industrial assets as compared to other classes of assets which might be declared available for reparations or to attempt to develop at this time a basis of valuation which could apply to such other classes of assets. It was the understanding of the majority of the sub-committee that not until the final settlement for Japan, when the over-all picture would be known, could such matters be accurately determined. The subcommittee does not consider that the valuations provided for in Paragraph 3 for the purpose of comparison between industrial facilities should prejudice any final accounting for Japanese reparations which may at a later date be deemed proper and advisable.

Para 7

In adding the last sentence of paragraph 7 to this policy proposal ("In the application of all the above criteria due regard should be given to the special problems of countries receiving only small shares"). The Subcommittee felt that among the "special problems" referred to should be included the need of ~~some~~ countries to obtain individual industrial facilities of special value to them rather than whole plants.

Para 8

It was the understanding of the Subcommittee that the terms of paragraph 8 apply both within and between the categories listed in this paragraph.

Para 10 b

It was the understanding of the Subcommittee that the system of arbitration referred to in this sub-paragraph could include any arbitration machinery composed of any number of persons deemed advisable by the RTC.

The Chinese and Indian Members proposed that the voting procedure referred to in subparagraph 10 b be altered to read "a simple majority of these members present and voting". The majority of the Subcommittee, however, favored the wording contained in the enclosed revision, which omits the words "and voting".



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The Canadian Government is of the opinion that this paragraph should have contained some form of specific provision for the rotation of arbitral duties, to ensure that individual members of the RTC are not asked to perform these duties with disproportionate frequency. The Canadian member of the RTC will feel free to decline to arbitrate in any particular dispute or disputes if the duties of arbitration become too onerous or are not shared fairly among all the members.

Para 10 c

It was the understanding of the Subcommittee that the review of valuations provided for in this sub-paragraph applies to valuations of individual facilities as well as to valuations of classes of facilities.

The Subcommittee made no provision in this sub-paragraph for changes in valuations resulting from losses or damage to facilities after allocation but prior to packing since it was felt that this was adequately provided for in paragraph 6.

Para 11

In submitting this revision to the Committee, the Subcommittee reports that, while it has discussed paragraph 11, it has not come to any decision regarding it. The Subcommittee will resume its discussions of this paragraph if the Committee should so decide. Two members of the Subcommittee considered that the matter discussed in the final sentence of this paragraph was more closely related to the subject of reparations shares and was not strictly relevant to this paper.

The Chinese Member said that he would prefer the deletion in the second sentence of this paragraph of any reference to the three-year period during which countries would be obligated not to offer reparations facilities for sale or barter to another country. His proposal would be to delete from "countries receiving" to "except as such" and start the second sentence of the paragraph with "Facilities may be bartered....etc."

Para 12

The Subcommittee agreed to the retention of the six-months period in paragraph 12 out of deference to these countries with special problems, but recommends to the Committee that it request all countries to expedite the filing of their claims for individual facilities.

Para 13

The Subcommittee decided to transfer the substance of para \*f of C1-211/10 to paragraph 13 of the enclosed revision.

Para o of C1-211/10

The Subcommittee agreed to delete this paragraph from the paper on the understanding that the subject matter contained therein would be considered at such time as countries not members of the FEC may be authorized to receive reparations from Japan.

Para 2 of C1-211/10

The Committee agreed to delete this paragraph from the paper on the understanding that the application of the provisions of this paper to the Advance Transfers program should be determined by the Committee at the time it decides to adopt the paper for forwarding to the Steering Committee.



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ENCLOSURE "C"

GUIDE TO NEW PARAGRAPH NUMBERING

The following is a comparison of the paragraph numbering system used in the enclosed revision (Enclosure "A") with the numbering system used in C1-211/10:

<u>Numbering System Used in Subcommittee's Revision - Enclosure "A"</u>	<u>Corresponding Paragraph in C1-211/10</u>
1 . . . . .	1 a
2 . . . . .	b
3 . . . . .	c
4 . . . . .	d
5 . . . . .	e
6 . . . . .	f
7 . . . . .	g
8 . . . . .	h
9 . . . . .	i
10 . . . . .	j
11 . . . . .	k
12 . . . . .	l
13 . . . . .	m
14 . . . . .	n



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ENCLOSURE "D"

MINOR AMENDMENTS PENDING COMMITTEE ACTION

Suggested by the Australian Member

Paragraph 7, c, last line:

Add the words "and the Pacific Area" after the words "Far East".

Suggested by the Philippine Member

Paragraph 7, c, line 7:

Add the words "relief and" after the word "country's".

*Withdraw*

Suggested by the United States Member

Paragraph 6

Line 9: Substitute the word "claimant" for the word "recipient".

Line 11: Substitute the word "claimant" for the word "recipient".

Line 15: Substitute the word "carrier" for the word "ship".

*OK  
OK  
OK*

Paragraph 7, b

Lines 4 and 5: Substitute the words "incident to prosecuting the war against Japan" for the words "as a result of engaging in hostilities against Japan".

Add Chinese amend:

*P 7 - 144 Party -*

*H 11 - 6 wa*

*Can - 1.5 yrs*

*US - H 7 c (delete last 2 lines)*



C1-211/15FEC-RESTRICTEDC1-211/1524 February 1948FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONSREPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL  
FACILITIES IN JAPAN: COMMITTEE WORKING DRAFT  
(Reference: C1-211 Series)Note by the Secretary General

1. Enclosure "A", a working draft of a proposed policy on reparations allocations procedures for industrial facilities in Japan containing all amendments to C1-211/12 adopted to date by Committee No. 1, is circulated herewith for the further consideration of Committee No. 1: Reparations.

2. Enclosure "B" contains an explanatory memorandum by the Subcommittee regarding the draft submitted by it to the Committee in C1-211/12.

3. Enclosure "C" contains a guide to the new paragraph numbering system in Enclosure "A" as compared with the numbering system used in C1-211/10 the **paper** originally referred to the Subcommittee for study and re-drafting.

4. Enclosure "D" contains further amendments to the paper suggested by Members in the course of discussions of C1-211/12 and /14. These amendments await final Committee action.

5. This document fully replaces C1-211/14.

NELSON T. JOHNSON  
Secretary General

C1-211/15



FEC-RESTRICTEDENCLOSURE "A"REPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL FACILITIES IN JAPAN: COMMITTEE WORKING DRAFT

1. SCAP should be responsible for selection of the particular industrial facilities to be made available for removal from Japan as reparations in accordance with relevant policy decisions under the Terms of Reference of the Far Eastern Commission.
2. SCAP should prepare an inventory of the individual Japanese industrial facilities selected in accordance with paragraph 1 above. This inventory should include any available information which would aid a prospective claimant in determining the utility of the individual facility, such as technical specifications, make, age and condition.
3. SCAP should determine the procedure for uniform monetary valuations and should assign such valuations to industrial facilities selected and listed under paragraphs 1 and 2 above. The purpose of such valuations is solely to provide a uniform basis of comparison among industrial facilities for the purpose of allocation. Such valuations, therefore, need have no direct relation to any other values so long as they are consistent among the reparations assets comprised of industrial facilities. Valuations should be in sufficient detail to permit charges to be made for parts of plants which may be allocated separately.
4. SCAP should submit to representatives of countries, members of the FEC, the inventory provided for in paragraph 2 and the valuations provided for in paragraph 3.
5. Upon receipt of the inventory and the valuations mentioned above, a country, member of the FEC, may lodge with SCAP claims for the allocation to it of particular industrial facilities.
6. SCAP should set up reparations accounts for recipient countries. The value of the facilities received by any one country should not exceed its percentage share of the total value of the industrial facilities selected by SCAP for removal as reparations. In accordance with FEC-094/4 (DELIVERY OF REPARATIONS GOODS IN JAPAN, approved by the Far Eastern Commission on 13 February 1947 and transmitted to the Supreme Commander on 19 February 1947 as Directive Serial No. 69) a claimant country will make a commitment to accept a specific facility at the time allocation is made. SCAP should likewise agree to reserve the accepted facility for the claimant country. At such time SCAP should make an initial charge to the country's reparations account of the value assigned to the facility. When final title is taken by a country on delivery of the facility aboard the carrier, a final charge should be made against the country's reparations account, making allowance, if necessary, for any unforeseen loss of value. When, after allocation but prior to packing, an item of reparations is found on inspection not to conform substantially to the particulars given in the inventory the country may refuse to accept



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such item and its reparations account should be credited with the charge previously made for the item. The provisions of the foregoing sentence should also apply where substantial damage or loss is sustained in transit to the port in Japan.

7. SCAP should allocate particular industrial facilities to each country on the basis of claims submitted by that country. When two or more countries file claim for the same facility, SCAP should work out what seems to him the most reasonable allocation, taking into primary consideration the proportion of each country's allocation still unfilled. After taking into account this primary consideration, SCAP should give consideration to the following criteria in stated order of priority:

a. claims for whole plants and related facilities as opposed to claims for portions thereof;

b. the extent to which the claimed item or items would replace property which was destroyed, damaged or looted by Japan, or which requires replacement because of excessive use ~~as a result of~~ *incident to* engaging in hostilities against Japan;

c. the extent to which the claimed item or items can be integrated into the general pattern of the claimant country's economic life, having regard to the former dependence of the claimant country on imports from Japan of the item or items (or products thereof) claimed, and the contribution of the claimed item or items to programs for the claimant country's economic adjustment, including the development of resources contributing to the welfare of the Far East.

In the application of all the above criteria due regard should be given to the special problems of countries receiving only small shares.

8. In making allocations as provided by paragraph 7, SCAP should, to the extent practicable, give consideration to striking a fair and equitable balance as between all claimant countries of items:

a. in integrated or consolidated units,

b. of modern and efficient design and manufacture,

c. in good working condition.

9. Each country represented on the FEC should be permitted to have a reparations technical mission in Japan. These missions should be afforded full opportunity for inspection of plants declared available, and should be kept fully informed by SCAP of all designations and allocations. They should be authorized by their Governments to receive inventories, valuations and other communications from SCAP relating to reparations, to lodge claims, to make commitments to accept title to plants selected, to accept ~~final~~ title to industrial facilities on reparations account, and to make all necessary arrangements with SCAP including scheduling the required shipping for the actual removal of allocated facilities in accordance with the principles laid down in FEC-094/4 (DELIVERY OF REPARATIONS GOODS IN JAPAN, approved by the Far Eastern Commission on 13 February 1947 and transmitted to the Supreme Commander on 19 February 1947 as Directive Serial No. 69). The Reparations



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Technical Missions should also be authorized to provide such technical information and advice regarding industrial facilities suitable for use by the potentially recipient countries as may be considered of assistance to SCAP in selecting plants and equipment for reparations removal.

10. SCAP should organize a Reparations Technical Committee (RTC) composed of the heads of the above Reparations Technical Missions with a non-voting chairman representing SCAP. The functions of this Committee should be:

a. to assist SCAP in an advisory capacity, in the development of technical and administrative procedures to assure an orderly removal of reparations goods from Japan;

b. in the event of dissatisfaction of one or more claimant countries with the allocation made by SCAP in accordance with the provisions of paragraph 7 of this policy, the dissatisfied country or countries may, within 30 days of notice of the allocation by SCAP, refer the case to the RTC for final settlement. Reference of the dispute to the RTC shall suspend the effect of the particular allocation by SCAP until the final settlement has been made. Upon such reference the RTC may, by a simple majority of those present, decide to hear the case or, if all the disputants concur, refer it to arbitrators. When arbitrators are chosen from among the members of the RTC, the duty of arbitration should be shared as equitably as possible. The countries concerned shall be responsible for collecting and presenting the information on which the arbitrators or the RTC, as the case may be, should base their decision. If the RTC decides to hear the case or to refer it to arbitration, a final decision shall be made as soon as practicable, but in no event later than 30 days after the decision that an appeal should be heard. If the RTC, within 30 days of the reference to it of the dispute, does not decide either to hear the case or to refer it to arbitration, the allocation made by SCAP will be final.

c. to provide for review of valuations in accordance with the following procedure:

Upon receipt by members of the RTC of the valuations provided for in paragraphs 3 and 5 but prior to final allocation of any facility, and on request of any member the RTC may, by a simple majority vote of those members present, request SCAP to review any valuation or valuations which it considers to be inconsistent with valuations of other industrial facilities.

11. A country taking title to industrial facilities from Japan as reparations shall undertake not to dispose of such facilities in whole or in part within three years from [assignment of title to them] otherwise than as follows:

a. for use in its own territories or in territories for which it has international or established responsibility, but not in Japan or Germany;

b. for use by its own nationals anywhere except in Japan;

c. to satisfy claims of foreign nationals against the recipient country arising out of war damage.

The foregoing provisions shall not, however, preclude barter of such facilities among recipient countries in exchange for other assets allocated as reparations from Japan.



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12. Claims for individual facilities should be filed with SCAP by a claimant country within six months after the fixing of a claimant country's final reparations percentage share, or receipt from SCAP of a final inventory and valuation of the facility, whichever is the later date. However, if the wishes of all countries with respect to an individual facility have been expressed in less than 6 months, immediate allocation should be made.

13. SCAP should arrange for the delivery at ports in Japan of reparations goods allocated to claimant countries after consultation with those countries to arrange suitable schedules for delivery. In arranging those schedules for delivery, SCAP should give consideration to the following:

a. the order in which each claimant country desires that the different items comprising its share should be made available for shipment;

b. the preservation, as far as possible, of a reasonable balance among the rates at which the total shares of the several claimant countries are progressively satisfied by allocation and delivery, except in so far as this principle would operate against the interests of countries entitled to only a small share of total reparations.

In arranging with SCAP for the delivery of reparations goods, each claimant country may specify items totalling not more than 40 percent of its total share which should be delivered at the port within one year after allocation has been made. Claimant countries will agree to accept delivery of goods no later than two years after their allocation, providing that such goods have been delivered to the loading point at the port within a reasonable time before the end of that period.

14. Industrial facilities, machinery or equipment (other than specialized war-making equipment) declared available for reparations, but either

a. unclaimed for application against recognized reparations claims on Japanese assets from within Japan, or

b. unaccepted as prescribed by paragraph 13 above,

should be disposed of in accordance with the procedure in paragraph 6 of FEC-084/21 (REDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL approved by the Far Eastern Commission on 14 August 1947 and forwarded to the Supreme Commander on 23 August 1947 as Directive Serial Number 87.)

see  
audit  
pg 9



*This is the  
Memorandum  
referred to*

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ENCLOSURE "B"

EXPLANATORY MEMORANDUM REGARDING SUBCOMMITTEE'S REVISION OF  
THE PAPER ON REPARATIONS ALLOCATIONS PROCEDURES (C1-211/10)

Para 1

The Subcommittee decided to delete the introductory sentence of para 1 on the ground that it was superfluous in an FEC policy paper.

It was the understanding of the Subcommittee that the decisions of the Far Eastern Commission regarding availability for reparations transfer of categories of Japanese industry (referred to in this paragraph) were to be made in conformity with FEC decisions on the level of the Japanese peacetime economy.

Para 3

(A) [It was the understanding of the majority of the subcommittee that it was premature to consider either the valuation of industrial assets as compared to other classes of assets which might be declared available for reparations or to attempt to develop at this time a basis of valuation which could apply to such other classes of assets. It was the understanding of the majority of the sub-committee that not until the final settlement for Japan, when the over-all picture would be known, could such matters be accurately determined. The subcommittee does not consider that the valuations provided for in Paragraph 3 for the purpose of comparison between industrial facilities should prejudice any final accounting for Japanese reparations which may at a later date be deemed proper and advisable.

Para 7

In adding the last sentence of paragraph 7 to this policy proposal ("In the application of all the above criteria due regard should be given to the special problems of countries receiving only small shares"). The Subcommittee felt that among the "special problems" referred to should be included the need of countries with only small shares to obtain individual industrial facilities of special value to them rather than whole plants.

Para 8

It was the understanding of the Subcommittee that the terms of paragraph 8 apply both within and between the categories listed in this paragraph.

Para 10 b

It was the understanding of the Subcommittee that the system of arbitration referred to in this sub-paragraph could include any arbitration machinery composed of any number of persons deemed advisable by the RTC.

The Chinese and Indian Members proposed that the voting procedure referred to in subparagraph 10 b be altered to read "a simple majority of these members present and voting". The majority of the Subcommittee, however, favored the wording contained in the enclosed revision, which omits the words "and voting".

Enclosure 'B



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The Canadian Government is of the opinion that this paragraph should have contained some form of specific provision for the rotation of arbitral duties to ensure that individual members of the RTC are not asked to perform these duties with disproportionate frequency. The Canadian member of the RTC will feel free to decline to arbitrate in any particular dispute or disputes if the duties of arbitration become too onerous or are not shared fairly among all the members.

Para 10 c

It was the understanding of the Subcommittee that the review of valuations provided for in this sub-paragraph applies to valuations of individual facilities as well as to valuations of classes of facilities.

The Subcommittee made no provision in this sub-paragraph for changes in valuations resulting from losses or damage to facilities after allocation but prior to packing since it was felt that this was adequately provided for in paragraph 6.

Para "

The Chinese Member said that he would prefer the deletion in the second sentence of this paragraph of any reference to the three-year period during which countries would be obligated not to offer reparations facilities for sale or barter to another country. His proposal would be to delete from "countries receiving" to "except as such" and start the second sentence of the paragraph with "Facilities may be bartered....etc."

Para 12

The Subcommittee agreed to the retention of the six-months period in paragraph 12 out of deference to these countries with special problems, but recommends to the Committee that it request all countries to expedite the filing of their claims for individual facilities.

Para 13

The Subcommittee decided to transfer the substance of para \*f of C1-211/10 to paragraph 13 of the enclosed revision.

Para o of C1-211/10

The Subcommittee agreed to delete this paragraph from the paper on the understanding that the subject matter contained therein would be considered at such time as countries not members of the FEC may be authorized to receive reparations from Japan.

Para 2 of C1-211/10

The Committee agreed to delete this paragraph from the paper on the understanding that the application of the provisions of this paper to the Advance Transfers program should be determined by the Committee at the time it decides to adopt the paper for forwarding to the Steering Committee.



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ENCLOSURE "C"

GUIDE TO NEW PARAGRAPH NUMBERING

The following is a comparison of the paragraph numbering system used in the enclosed revision (Enclosure "A") with the numbering system used in C1-211/10:

<u>Numbering System Used in Subcommittee's Revision - Enclosure "A"</u>	<u>Corresponding Paragraph in C1-211/10</u>
1 . . . . .	1 a
2 . . . . .	b
3 . . . . .	c
4 . . . . .	d
5 . . . . .	e
6 . . . . .	f
7 . . . . .	g
8 . . . . .	h
9 . . . . .	i
10 . . . . .	j
11 . . . . .	k
12 . . . . .	l
13 . . . . .	m
14 . . . . .	n



FEC-RESTRICTEDENCLOSURE "B"AMENDMENTS TO ENCLOSURE "A" PENDING COMMITTEE ACTIONParagraph 7Suggested by the Australian MemberParagraph 7 c, last line:

Add the words "and the Pacific Area" after the words "Far East."

Suggested by the Chinese Member

Subparagraph 7, b to be broken up into two separate paragraphs as follows:

7 b "the extent to which the claimed item or items would replace property which was destroyed damaged beyond repair or looted by Japan or which was worn out beyond repair because of excessive use as a result of engaging in hostilities against Japan."

7 c "the extent to which the claimed item or items would replace property which was damaged but repairable or worn out through excessive use as a result of engaging in hostilities against Japan, but which was repairable."

The original 7 c would then become 7 d.

Suggested by the United States MemberParagraph 7, b

OK Lines 4 and 5: Substitute the words "incident to prosecuting the war against Japan" for the words "~~as a result of~~ engaging in hostilities against Japan."

Paragraph 7, c

Delete last clause: ~~including development of resources contributing to the welfare of the Far-East.~~ *incident to withdraw*

Paragraph 8Suggested by the Australian MemberParagraph 8, line 2

OK Add after the word "practicable" the words "and taking into due account the need for special items on the part of countries receiving only small shares."

Paragraph 11Suggested by the Canadian MemberParagraph 11, line 3

Reduce the three-year period to one and one-half years ?

Suggested by the Chinese MemberParagraph 11, line 3

Reduce the three-year period to six months *withdraw*



FEC-RESTRICTED

Paragraph 14

Suggested by the United States Member

Line 7 to be amended to read as follows:

"should not be destroyed pending receipt of directives issued in accordance with the procedure in paragraph"

*or otherwise by disposed Zick*

*accepted*

*[Handwritten initials]*



FOR RECORDING VOTES AND CANVASSING POSITIONS

✓ DOCUMENT: P 11  
Approved by J.C.

MEMBER	PRO	CON	ABSTAIN	RESERVATIONS	OFFICIAL or PERSONAL	DATE
Australia	✓		✓	no instruction		
Canada	✓			second second		
China	✓			none don't res.		
France	✓		✓			
India	✓			now to find		
Netherlands			✓	no inst. on P 11		
New Zealand	✓		✓	..		
Philippine Republic		✓	✓			
U. S. S. R.		✓	✓	No instruction		
U. K.	✓	✓				
U. S.			✓	abstain but pers. approved by judge -		



211 file

FOR RECORDING VOTES AND CANVASSING POSITIONS

*HS and P 14*  
DOCUMENT: \_\_\_\_\_

MEMBER	PRO	CON	ABSTAIN	RESERVATIONS	OFFICIAL or PERSONAL	DATE
Australia						
Canada						
China						
France			<i>OK</i>			
India						
Netherlands						
New Zealand						
Philippine Republic						
U. S. S. R.	<i>OK</i>					
U. K.						
U. S.						



*Recorder*

FOR RECORDING VOTES AND CANVASSING POSITIONS

DOCUMENT:

*Chinese Audit to 7/5*

MEMBER	PRO	CON	ABSTAIN	RESERVATIONS	OFFICIAL or PERSONAL	DATE
Australia		✓				
Canada		✓				
China	✓					
France		✓				
India		✓				
Netherlands		✓				
New Zealand		✓				
Philippine Republic			?			
U. S. S. R.			?			
U. K.		✓				
U. S.			✓			



FOR RECORDING VOTES AND CANVASSING POSITIONS

DOCUMENT: Annex to Para 8

MEMBER	PRO	CON	ABSTAIN	RESERVATIONS	OFFICIAL or PERSONAL	DATE
Australia	✓					
Canada				<i>OK</i>		
China						
France	✓					
India	✓				<i>pers.</i>	
Netherlands						
New Zealand	✓					
Philippine Republic						
U. S. S. R.						
U. K.	✓					
U. S.						



2/25/48

FOR RECORDING VOTES AND CANVASSING POSITIONS

Can. Agmt to P 11  
DOCUMENT: 1 1/2 years

MEMBER	PRO	CON	ABSTAIN	RESERVATIONS	OFFICIAL or PERSONAL	DATE
Australia					Compromise	
Canada	✓				4 points kind	
China	✓					
France	✓					
India					no instructions	accept personally
Netherlands	No instructions on whole P 11					
New Zealand					Agree on some points	no instructions
Philippine Republic					"	
U. S. S. R.					no instr	fav person
U. K.		✓				
U. S.						



FOR RECORDING VOTES AND CANVASSING POSITIONS

*Deletes "final"  
+ add in #11 as in 1/5  
copy*

DOCUMENT: \_\_\_\_\_

MEMBER	PRO	CON	ABSTAIN	RESERVATIONS	OFFICIAL or PERSONAL	DATE
Australia	X					
Canada	✓					
China	X			<i>OK</i>		
France	X					
India	X					
Netherlands			✓			
New Zealand	X					
Philippine Republic	X					
U. S. S. R.	X					
U. K.	✓					
U. S.	✓					



CHINESE AMENDMENT TO PARAGRAPH 7 (b)

7 (b) "the extent to which the claimed item or items would replace property which was destroyed, damaged beyond repairs or looted by Japan, or which was worn out beyond repairs because of excessive use as a result of engaging in hostilities against Japan.

7 (c) "the extent to which the claimed item or items would replace property which was damaged but repairable or worn out through excessive use as a result of engaging in hostilities against Japan, but which was repairable

Old Paragraph 7 (c) should become 7 (d).

*Japan occupation costs*

U.S.

*U.K. desired to make a statement. Discussion to be postponed until next week.*



C1-211/16FEC-RESTRICTEDC1-211/1624 February 1948FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONSREPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL  
FACILITIES IN JAPAN: CORRECTION TO C1-211/15Note by the Secretary General

1. Attention is called to an error on page 6, Enclosure "B", of C1-211/15. The third paragraph under the heading "Para 10 c" on this page should be preceded by the heading "Para 11". The remarks in this paragraph do not refer to Para 10 c but to Para 11 of Enclosure "A" of the document.
2. Members are requested to make this change in their copies of C1-211/15.

NELSON T. JOHNSON  
Secretary General

C1-211/16



## TENTATIVE INFORMAL SUGGESTIONS FOR REVISING PARA. 3 a of CI-272/1

Informal Suggestion by the U. K. Member

Para. 3 to read as follows:

3. The Japanese Government should be required to replace cultural objects:

a. Which were publicly owned;

b. which, if privately owned, had been made accessible

to the public or had been used for public cultural purposes;

*and*

g. 1 which have been removed from Allied countries by the

Japanese or their agents but have not been found within a

reasonable period, or which have been destroyed by the Jap-

anese or their agents or as a result of military action

during periods of Japanese military aggression against Allied

territories

in accordance with the following provisions.

3/3/48



C1-211/17FEC-RESTRICTEDC1-211/1727 February 1948FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONSREPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL  
FACILITIES IN JAPAN: COMMITTEE WORKING DRAFT  
(Reference: C1-211 Series)Note by the Secretary General

1. Enclosure "A", a working draft of a proposed policy on reparations allocations procedures for industrial facilities in Japan, containing amendments to the earlier working draft, C1-211/15, adopted at the one hundred forty-ninth meeting of Committee No. 1 on 25 February 1948, is circulated herewith for the further consideration of COMMITTEE NO. 1: REPARATIONS.

2. Enclosure "B" contains amendments to the proposed policy contained in Enclosure "A" which are still pending Committee action.

NELSON T. JOHNSON  
Secretary General

C1-211/17



FEC-RESTRICTEDENCLOSURE "A"REPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL FACILITIES IN JAPAN: COMMITTEE WORKING DRAFT

1. SCAP should be responsible for selection of the particular industrial facilities to be made available for removal from Japan as reparations in accordance with relevant policy decisions under the Terms of Reference of the Far Eastern Commission.
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such item and its reparations account should be credited with the charge previously made for the item. The provisions of the foregoing sentence should also apply where substantial damage or loss is sustained in transit to the port in Japan.

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b. the extent to which the claimed item or items would replace property which was destroyed, damaged or looted by Japan, or which requires replacement because of excessive use incident to engaging in hostilities against Japan;

c. the extent to which the claimed item or items can be integrated into the general pattern of the claimant country's economic life, having regard to the former dependence of the claimant country on imports from Japan of the item or items (or products thereof) claimed, and the contribution of the claimed item or items to programs for the claimant country's economic adjustment, including the development of resources contributing to the welfare of the Far East.

In the application of all the above criteria due regard should be given to the special problems of countries receiving only small shares.

8. In making allocations as provided by paragraph 7, SCAP should, to the extent practicable and taking into due account the need for special items on the part of countries receiving only small shares, give consideration to striking a fair and equitable balance as between all claimant countries of items:

a. in integrated or consolidated units,

b. of modern and efficient design and manufacture,

c. in good working condition.

9. Each country represented on the FEC should be permitted to have a reparations technical mission in Japan. These missions should be afforded full opportunity for inspection of plants declared available, and should be kept fully informed by SCAP of all designations and allocations. They should be authorized by their Governments to receive inventories, valuations and other communications from SCAP relating to reparations, to lodge claims, to make commitments to accept title to plants selected, to accept title to industrial facilities on reparations account, and to make all necessary arrangements with SCAP including scheduling the required shipping for the actual removal of allocated facilities in accordance with the principles laid down in FEC-094/4 (DELIVERY OF REPARATIONS GOODS IN JAPAN, approved by the Far Eastern Commission on 13 February 1947 and transmitted to the Supreme Commander on 19 February 1947 as Directive Serial No. 69). The Reparations



FEC-RESTRICTED

Technical Missions should also be authorized to provide such technical information and advice regarding industrial facilities suitable for use by the potentially recipient countries as may be considered of assistance to SCAP in selecting plants and equipment for reparations removal.

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a. to assist SCAP in an advisory capacity, in the development of technical and administrative procedures to assure an orderly removal of reparations goods from Japan;

b. in the event of dissatisfaction of one or more claimant countries with the allocation made by SCAP in accordance with the provisions of paragraph 7 of this policy, the dissatisfied country or countries may, within 30 days of notice of the allocation by SCAP, refer the case to the RTC for final settlement. Reference of the dispute to the RTC shall suspend the effect of the particular allocation by SCAP until the final settlement has been made. Upon such reference the RTC may, by a simple majority of those present, decide to hear the case or, if all the disputants concur, refer it to arbitrators. When arbitrators are chosen from among the members of the RTC, the duty of arbitration should be shared as equitably as possible. The countries concerned shall be responsible for collecting and presenting the information on which the arbitrators or the RTC, as the case may be, should base their decision. If the RTC decides to hear the case or to refer it to arbitration, a final decision shall be made as soon as practicable, but in no event later than 30 days after the decision that an appeal should be heard. If the RTC, within 30 days of the reference to it of the dispute, does not decide either to hear the case or to refer it to arbitration, the allocation made by SCAP will be final.

c. to provide for review of valuations in accordance with the following procedure:

Upon receipt by members of the RTC of the valuations provided for in paragraphs 3 and 5 but prior to final allocation of any facility, and on request of any member the RTC may, by a simple majority vote of those members present, request SCAP to review any valuation or valuations which it considers to be inconsistent with valuations of other industrial facilities.

11. A country taking title to industrial facilities from Japan as reparations shall undertake not to dispose of such facilities in whole or in part within three years from the date of delivery aboard the carrier otherwise than as follows:

a. for use in its own territories or in territories for which it has international or established responsibility, but not in Japan or Germany;

b. for use by its own nationals anywhere except in Japan;

c. to satisfy claims of foreign nationals against the recipient country arising out of war damage.

The foregoing provisions shall not, however, preclude barter of such facilities among recipient countries in exchange for other assets allocated as reparations from Japan.



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12. Claims for individual facilities should be filed with SCAP by a claimant country within six months after the fixing of a claimant country's final reparations percentage share, or receipt from SCAP of a final inventory and valuation of the facility, whichever is the later date. However, if the wishes of all countries with respect to an individual facility have been expressed in less than 6 months, immediate allocation should be made.

13. SCAP should arrange for the delivery at ports in Japan of reparations goods allocated to claimant countries after consultation with those countries to arrange suitable schedules for delivery. In arranging those schedules for delivery, SCAP should give consideration to the following:

a. the order in which each claimant country desires that the different items comprising its share should be made available for shipment;

b. the preservation, as far as possible, of a reasonable balance among the rates at which the total shares of the several claimant countries are progressively satisfied by allocation and delivery, except in so far as this principle would operate against the interests of countries entitled to only a small share of total reparations.

In arranging with SCAP for the delivery of reparations goods, each claimant country may specify items totalling not more than 40 percent of its total share which should be delivered at the port within one year after allocation has been made. Claimant countries will agree to accept delivery of goods no later than two years after their allocation, providing that such goods have been delivered to the loading point at the port within a reasonable time before the end of that period.

14. Industrial facilities, machinery or equipment (other than specialized war-making equipment) declared available for reparations, but either

a. unclaimed for application against recognized reparations claims on Japanese assets from within Japan, or

b. unaccepted as prescribed by paragraph 13 above.

should not be destroyed or otherwise disposed of by SCAP pending receipt of directives issued in accordance with the procedure in paragraph 6 of FEC-084/21 (REDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL approved by the Far Eastern Commission on 14 August 1947 and forwarded to the Supreme Commander on 23 August 1947 as Directive Serial Number 87.)



FEC-RESTRICTEDENCLOSURE "B"AMENDMENTS TO ENCLOSURE "A" PENDING COMMITTEE ACTIONParagraph 7Suggested by the Australian MemberParagraph 7 c, last line:

Add the words "and the Pacific Area" after the words "Far East."

Suggested by the Chinese Member

Subparagraph 7, b to be broken up into two separate paragraphs as follows:

7 b "the extent to which the claimed item or items would replace property which was destroyed, damaged beyond repair or looted by Japan, or which was worn out beyond repair because of excessive use as a result of engaging in hostilities against Japan.

7 c "the extent to which the claimed item or items would replace property which was damaged but repairable or worn out through excessive use as a result of engaging in hostilities against Japan, but which was repairable."

The original 7 c would then become 7 d.

Paragraph 11Suggested by the Canadian MemberParagraph 11, line 3

Reduce the three-year period to one and one-half years.



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ENCLOSURE "B"

AMENDMENTS TO ENCLOSURE "A" PENDING COMMITTEE ACTION

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Paragraph 11

Suggested by the Canadian Member

Paragraph 11, line 3

Reduce the three-year period to one and one-half years.

*Get Draft of Clarification wanted by Aero.*

*Held for final review of Mr. Bullcock*

*General disapproval by Com. no. 1 but retained here on request of Chinese member.*

*Withdrawn 3/2/48*

*Held for further discussion - the light approval of Com. no. 1 amendment to H 11 which is dated the present 3-year period from "delivery on board the carrier"*

*14-16 mos  
Com. OK's  
16 months*



CI-234/2FEC-RESTRICTEDCI-234/23 March 1948FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONSSUMMARY OF DISCUSSIONS OF THE PROBLEM OF VALUATIONS IN  
AD HOC SUBCOMMITTEE ON REPARATIONS ALLOCATIONS PROCEDURES  
(References: CI-234/1; MI-129/1 through /4)Note by the Secretary General

1. The enclosure a summary of discussions of the problem of valuations between June and December 1947 in the ad hoc Subcommittee on Reparations Allocations Procedures, has been prepared by the Reparations Secretary and is circulated herewith for the information of COMMITTEE NO. 1: REPARATIONS.

2. At the 149th meeting of Committee No. 1 on 25 February 1948 the U. S. Member suggested that it might be helpful to Members in considering the paper on reparations allocations procedures (present working draft CI-211/17) if the Secretary would summarize the discussions which had taken place on the subject of valuations of industrial facilities declared available for reparations in the ad hoc Subcommittee on Reparations Allocations Procedures during the period June to December 1947. The enclosure has, accordingly, been prepared from the notes of the Secretary.

3. The ad hoc Subcommittee consisted of the Australian (Chairman), Canadian, Indian, United Kingdom and United States Members. In addition, the Chinese and French Members attended several of the meetings of the Subcommittee.

NELSON T. JOHNSON  
Secretary General

CI-234/2



FEC-RESTRICTEDE N C L O S U R ESUMMARY OF DISCUSSIONS OF THE PROBLEM OF VALUATIONS  
IN AD HOC SUBCOMMITTEE ON REPARATIONS ALLOCATIONS PROCEDURES

The ad hoc Subcommittee on reparations allocations procedures considered the following four aspects of the valuations problem: (1) the formula for computing valuations; (2) what relation, if any, would the valuations assigned for purposes of allocation bear to any final accounting of the Japanese reparations program? (3) the problem of the relation of valuations of industrial assets to other Japanese assets which might at some future date be made available as reparations; (4) the problem of appeal or review of valuations assigned to particular reparations facilities.

1. Formula for Valuations. This problem was discussed by an ad hoc Subcommittee on Valuations in June 1947. At the 109th meeting of Committee No. 1: Reparations on 27 June 1947, the U. K. Member, Chairman of the Valuations Subcommittee, reported that preliminary information on the valuation formula being used by SCAP in connection with the Advance Transfers program had recently been obtained from the Supreme Commander and circulated as MI-125/1. The Valuations Subcommittee, he reported, had decided not to recommend a formula for computing valuations, preferring to give Members an opportunity to review their positions in the light of the information received from the Supreme Commander. Subsequent discussion of this point in Committee No. 1 was deferred pending further discussion in the RTAC in Tokyo on valuation procedures. The Allocations Procedures Subcommittee took up the subject again in September 1947, at which time it had before it a formal SCAP statement describing valuations procedures (MI-129/2, Procedures for Valuation of Japanese Industrial Facilities Selected for Removal under the Reparations Program) as well as CI-234/1, a summary prepared by the Secretariat of discussions of the valuations problem in the RTAC in Tokyo, based primarily on the minutes of the 1st, 3rd and 4th meetings of the RTAC. The Subcommittee studied the possibility of using a valuation formula which would provide ready convertibility into other currencies and into current market values. It was finally agreed, however, that any attempt to establish a valuation formula corresponding to existing market values would run up against the problem of deciding which of the many potential markets the valuation should be based upon. It was possible to have a different market value for each of the eleven FEC countries, and for that matter, different market values within the same country. There would also be a market value for the facilities in Japan today. After the Members of the Subcommittee had discussed this aspect of the problem and studied the valuations procedures being followed in Tokyo, it was decided that no recommendation by the Subcommittee regarding a formula for computing valuations was necessary. The RTAC and its SCAP Chairman had engaged in full and frank discussions of the valuation formula outlined in MI-129/2 (see especially Minutes RTAC 1st, 3rd and 4th Meetings), and there had been general satisfaction with that formula. The Subcommittee accordingly decided to make no recommendation to the Committee on this aspect of the valuations problem.

2. Final Accounting of Total Reparations Program. The Allocations Procedures Subcommittee had before it the queries of several Members as to the relation which the valuations assigned to reparations facilities for the purposes of allocation might eventually bear to any final accounting of the total Japanese reparations program. The U. S. Member of the Subcommittee stated



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that it was his Government's view as well as the understanding of SCAP in implementing the reparations program that the valuations which SCAP would assign to reparations facilities were solely for the purpose of allocation and would not, unless later decided by the FEC or the Peace Conference for Japan, be used in a final accounting of the total Japanese reparations program. He pointed out that General Harrision, SCAP's representative and RTAC Chairman, had stated at the third RTAC meeting on 16 June 1947 that "the purpose of valuations as given in present directives was only to establish a relative value among the various types and items of industrial equipment which are included in the interim program and its subordinate part, the advance transfers program." The valuations that would be assigned would, therefore, not necessarily correspond to existing market values of those facilities in any country. Whether expressed in yen or in dollars, their function would be merely to provide a uniform basis of comparison among the various industrial facilities allocated on reparations account, thus insuring equitable distribution of such facilities among the various claimant countries. In order to clarify the intent of this paragraph it will be noted that the Subcommittee agreed to insert the following sentence in its revised draft of paragraph 3 (see C1-211/17):

"The purpose of such valuations is solely to provide a uniform basis of comparison among industrial facilities for the purpose of allocation."

It should also be noted that the Subcommittee further clarified its position on this point in its explanatory memorandum to the Committee as follows (see C1-211/15, Enclosure "B"):

"The Subcommittee does not consider that the valuations provided for in paragraph 3 for the purpose of comparison between industrial facilities should prejudice any final accounting for Japanese reparations which may at a later date be deemed proper and advisable."

3. Relation of Industrial Valuations to Other Reparations Assets. Some Members of the Allocations Procedures Subcommittee felt that if possible the valuations assigned to industrial facilities declared available for reparations should be such as to make them readily applicable to other assets which might eventually be made available for reparations. The Subcommittee considered in detail the various problems involved in establishing a standard of valuation which could be applied to all forms of Japanese assets likely to be made available for reparations, and decided that, in the absence of any decisions regarding other categories of reparations assets, it would be impracticable at this stage to attempt to establish such a valuation standard. In this connection, the following statement by General Harrison at the third meeting of the RTAC on 16 June 1947 was considered pertinent:

"The Reparations Section, however, has tried not only to develop such internally consistent values but also to relate them to an established monetary value recognized by all countries which would facilitate, later on at the Peace Conference, integrating these values with those established for other items that might enter into the final reparations program the cost of the Occupation, and whatever else Japan might be charged for the war. Whether or how these relationships will be established, he did not know. However, by converting all of these values to yen of the year 1939, there is a reasonable methods of making the necessary adjustments and relations.



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As Major Nichols had explained at the last meeting, 1939 was the last year in which proper catalogs were issued with prices and so on, for tools and other equipment and in which there was a general relationship of the Japanese yen to other world currencies."

The Subcommittee clarified its position in this respect in its explanatory memorandum to the Committee as follows (see C1 21/15, Enclosure "B"):

"It was the understanding of the majority of the Subcommittee that it was premature to consider either the valuation of industrial assets as compared to other classes of assets which might be declared available for reparations or to attempt to develop at this time a basis of valuation which could apply to such other classes of assets. It was the understanding of the majority of the Subcommittee that not until the final settlement for Japan, when the over-all picture would be known, could such matters be accurately determined."

4. Right of Appeal or Review of Particular Valuations. The Allocations Procedures Subcommittee had before it in C1-211/10 two proposed amendments regarding the right of appeal on valuations of particular facilities -- one by the French Member and one by the Soviet Member. The amendment of the French Member would have added to the end of the third sentence of the present paragraph 3 the following words:

". . . it being understood that these valuations may always be revised."

The amendment of the Soviet Member would have added the following sentence to the present paragraph 3:

"When inspecting the facilities on the spot, the representative of a claimant country may request for a presentation to him of the materials upon the grounds of which the valuation was made, and in the event of his disagreement with the valuation made by SCAP the question of a final valuation shall be settled by a joint valuation with the participation of the representative of the claimant country and a representative of SCAP."

The Australian, Canadian and Indian Members were sympathetic to the idea that some right of appeal or review of particular valuations should be provided for in the allocations procedures paper. The U. S. Member expressed the view that failure to provide a unitary authority for the assignment of valuations would result in either the absence of any internal consistency in values assigned or serious delay in the implementation of the reparations program brought about by the effort to achieve such consistency in the face of continuous requests for changes in valuations.

The Subcommittee noted that at the third RTAC meeting on 16 June 1947 General Harrison was asked whether, in claiming reparations facilities, the values set would be final. General Harrison answered that "valuations will be completed and distributed one industry at a time. Certain relationships are thereby established as far as uniformity of methods is concerned, and to change one valuation would require corresponding changes in others. This would draw out the whole procedure endlessly." The Subcommittee also noted that General Harrison at the fourth RTAC meeting on 8 July 1947, was asked whether a claimant nation



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would be able to obtain a revision of the valuation of a plant as a result of observations made by the claimant engineer during dismantling of the plant. General Harrison replied that if damage occurred during the dismantling of a particular reparations facility, the valuation of that facility would be reduced accordingly; likewise if unexpected damage or latent defects were noted in the dismantling process there would be a re-valuation on the basis of the new data on hand. Revisions of valuations would, he said, not be allowed under any other circumstances since it would be impossible to retain comparability among valuations if each member should seek re-valuations in accordance with his own ideas.

The Subcommittee on 21 November 1947 had the privilege of hearing from M. de Blank of the Netherlands delegation who had just returned from a visit to Tokyo during which he had had an opportunity to discuss the allocations problem with various delegations on the RTAC. He told the Committee it was the general feeling of the delegations that any attempt to permit recipient countries to request changes in valuations of particular facilities would in all probability seriously delay the reparations program. It appeared, therefore, to be the consensus of opinion in Tokyo that, however desirable some system of renegotiation of valuations between SCAP and recipient countries might be in theory, it would not work out well in practice. In the interests of expediting the reparations program it was felt that SCAP should be permitted to proceed with the valuations procedures that had been presented to the RTAC and discussed and clarified in subsequent meetings of that body. Mr. De Blank emphasized that RTAC delegations took this position on the understanding that the values assigned by SCAP would not necessarily be used in any final accounting of the Japanese reparations program.

A majority of the Subcommittee, however, felt there should be some way for claimant countries to appeal to SCAP when his valuations of particular facilities were considered by them to be inconsistent with valuations assigned by him to other particular facilities, if only to take account of possible errors in SCAP's computations. After further study and discussion of this point the Subcommittee was able to agree to an addition to paragraph 10 which it felt would not only satisfy the interests of those countries represented on the Subcommittee but would also go a long way toward meeting the wishes of the French and Soviet Members in their proposed amendments to paragraph 3. The French Member, who attended several meetings of the Subcommittee, expressed satisfaction with this decision of the Subcommittee. The amendment agreed to is the present para 10 c of Enclosure "A" of C1-211/17 which read as follows:

"to provide for review of valuation in accordance with the following procedure:

"Upon receipt by members of the RTC of the valuations provided for in paragraphs 3 and 5 but prior to final allocation of any facility, and on request of any member the RTC may, by a simple majority vote of those members present, request SCAP to review any valuation or valuations which it considers to be inconsistent with valuations of other industrial facilities."

It will be noted that the "review" referred to in the last clause of para 10 c is a review of "any valuation or valuations".



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The intention of the Subcommittee was to provide both for review of the valuation assigned to any individual facility within a given industrial category as well as for the review of valuations assigned to facilities in one industrial category as compared with those assigned to facilities in another industrial category. In other words, it would be possible under para 10 c for a claimant country to request the review of a valuation assigned to a machine tool or a machine tool plant on the ground that the valuation was inconsistent with those assigned to other machine tools or machine tool plants available for reparations; and it would be equally possible to request the review of the valuations assigned to facilities in the machine tool industry as a whole on the ground that they were inconsistent with the values assigned, for example, to thermal electric plants.

As indicated in Enclosure "B" of C1-211/15 (page 6), the Subcommittee did not consider it necessary to make any provision in either paragraph 3 or 10 c for readjustment of valuations resulting from losses or damage to facilities after allocation but prior to packing, since it was felt that this was adequately provided for in paragraph 6 of the paper.



FOR RECORDING VOTES AND CANVASSING POSITIONS

DOCUMENT: Send Expt. Memo. on Reps. Alloc.  
Probes Paper to SC

MEMBER	PRO	CON	ABSTAIN	RESERVATIONS	OFFICIAL or PERSONAL	DATE
Australia	✓			<i>none</i>		
Canada						
China						
France						
India						
Netherlands						
New Zealand						
Philippine Republic						
U. S. S. R.						
U. K.						
U. S.						



The last paragraph of the original Memorandum of Explanation contained in Cl-211/15 contained a recommendation to the Committee which the Committee overlooked in its discussions prior to forwarding SC-211/18 to the Steering Committee. That paragraph reads as follows:

The Committee agreed to delete paragraph 2 of Cl-211/10 from the paper on the understanding that the application of the provisions of this paper to the Advance Transfers Program should be determined by the Committee at the time it decides to adopt the paper for forwarding to the Steering Committee.

For the information of Members paragraph 2 of Cl-211/10 reads as follows (with appropriate changes of paragraph numbers to apply to the present draft contained in SC-211/18):

The provisions of paragraphs 3 and 4, requiring a monetary valuation for industrial facilities shall not operate to delay delivery of goods under "Advance Transfers of Japanese Reparations" (FEC-201). The provisions of paragraph 7 and the provisions of that part of paragraph 11 which permit recipient countries to barter goods received on reparations account among themselves and which permit the claimant countries to dispose of their claim to other countries on a political basis do not apply to the program of "Advance Transfers of Japanese Reparations" (FEC-201). As soon as recognized and approved national reparations shares have been determined and announced by directive to SCAP all of the provisions of this policy statement will govern and provisions of "Advance Transfers of Japanese Reparations" (FEC-201) will be rendered inoperative.



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Canada	✓			
China		✓		
France			✓	
India			✓	
Netherlands	✓			
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France	✓			
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Netherlands		✓		
New Zealand	✓			
Philippines			✓	
USSR			✓	
United Kingdom	✓			
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New Zealand	✓			
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DATE *24 Mar 48*

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MOTION: 439 Cyril Ruess

DATE 24 Mar 48

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MOTION: H7 Save Fr. amend DATE \_\_\_\_\_

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Canada	✓			
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New Zealand	✓			
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United States	✓			
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Part 9

7 - (in sentence)

member

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Canada	✓			Personal
China			✓	Resolution on P 7
France	✓			
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New Zealand	✓			
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Canada	✓			
China				<i>Reserve</i>
France	✓			
India	✓			
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New Zealand	✓			
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RESULT ; CARRIED   
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