

211

CI -211

Reparations Allocations
Procedures for Industrial
Facilities in Japan

URES

211

*Reparations Allocations
Procedures*

2 11

Reparations Allocations
Procedures

REPARATIONS ALLOCATIONS PROCEDURES, C1-211 Series

7 Jan '48 -- Paper generally acceptable to all members, with further discussion para. 11, but no final instructions received.

Australia -- 16 June - In favor of paper.

Canada -- 16 June - In favor of paper.

China -- 16 June - ~~In favor of~~ paper generally acceptable.

France -- 16 June - Forward paper to St. Com.
8 Sept - Can vote for paper.

India -- 16 June - Paper generally acceptable.

Neth. -- 16 June - No final instructions.
8 Sept - Reservation para. 11, paper acceptable otherwise.

N. Z. -- 16 June - No final instruc, personally in favor.
~~13 July - Can support paper except para 11~~
23 Sept - Officially in favor of paper

Phil. -- 16 June - No final instruc, personally in favor.
13 July - Can support paper, except para. 11

USSR -- 19 May - Official instruc. Submtd amdts to paras 1, 4, 5, 7, 8 11 and 13 (Circulated as C1-211/28)
16 June - Ready to vote on paper, no indication of position.

U. K. -- 16 June - Generally acceptable, reservation on 16-months period, para. 12.
8 Sept - Would hold paper on agenda until relation to advance transfers is clarified.

U. S. -- 28 Jan - Not necessary for U.S. Govt to reconsider paper. Had been substantially submitted to SCP as interim directive (28Jan);
16 June - No instructions.
8 Sept - No instructions.

REPARATIONS ALLOCATIONS PROCEDURES, C1-211 Series

- 7 Jan '48 -- Paper generally acceptable to all members, with further discussion para. 11, but no final instructions received.
- Australia -- 16 June - In favor of paper.
- Canada -- 16 June - In favor of paper.
- China -- 16 June - In favor of paper.
- France -- ~~16 June - Forward paper to St. Com.~~
8 Sept - Can vote for paper.
- India -- 16 June - Paper generally acceptable.
- Neth. -- ~~16 June - No final instructions.~~
8 Sept - Reservation para. 11, paper acceptable otherwise.
- N. Z. -- 16 June - In favor of the paper. (*Official*)
~~13 July - Can support paper except para. 11.~~
- Phil. -- ~~16 June - No final instructions, personally in favor.~~
13 July - Can support paper, except para. 11.
- USSR -- 19 May - Official instruc. Submitted amdts to paras. 1, 4, 5, 7, 8, 11 and 13 (Circulated as C1-211/28). *Not adopted.*
16 June - Ready to vote on paper, no indication of position.
- U.K. -- 16 June - Generally acceptable, reservation on 16-months period, para 12.
8 Sept - Would hold paper on agenda until relation to Advance Transfers is clarified.
- U.S. -- ~~28 Jan - Not necessary for U.S. Govt to reconsider paper.~~ (Has been substantially submitted to SCAP as Interim Directive '28 Jan).
16 June - No instructions.
8 Sept - No instructions.

SUMMARY OF FEC MEMBER COUNTRY POSITIONS --
REPARATIONS AND ECONOMICS

Australia

Strongly interested in early passage of FEC-084/9. May condition its support of FEC-216/9 on passage of the above paper. Over-security conscious on the issue of extension of fishing areas to Japanese. Holds approximately U. K. position on creation of viable Japanese economy. Strong leanings toward settlement of reparations problem in peace treaty. Feels Australia should receive a reparations share second only to the U. S. and China in size. Percentage share requested -- 28%.

Canada

Approximately the U. K. position economically though with less concern about expansion of the textile industry. Very cooperative with U. S. on the reparations issue as on most other issues. Percentage share submitted -- 1.5%.

China

May want extension of FEC-218 to cover other industries especially those in FEC-084/9. Also concerned about ~~possible~~ competitive threat in expansion of Japanese textile industry. Wants strict control of Japanese civilian economy in the near future at the minimum possible level. Interested in keeping down the Japanese economy based on a desire for high-quality reparations goods which a low-level Japanese economy might release for reparations. Also interested in possible retention in Japan of industrial facilities received by them as reparations with a view to operation by the Japanese. Interested in broadening the concept of restitution to permit sizeable replacement of lost or destroyed cultural objects from existing Japanese cultural stocks. Percentage share of reparations requested -- 40%.

France

Vague on industrial level problem but probably not opposed to roughly the U. S. levels. Feels the suffering and contribution to war of French Indo China not properly appreciated within the Commission. May be stubborn on its reparations claim probably for procedural reasons. Very interested in the subject of occupation costs and unwilling at this stage to favor the U. S. plan of peace-meal payment of occupation costs from any random source available. Reparations percentage share requested -- 12%.

India

Not unsympathetic to a viable economy for Japan but seriously concerned at present standard of living especially with respect to imports of future. Seems to waiver between the need of India for textile exports from Japan and a longer range fear that the undue expansion of the Japanese textile industry might ultimately result in unfavorable competition with Indian textiles. Will probably go along with the U. K. on both the industrial levels problem and the industrial disarmament problem. Reparations percentage requested -- 18%.

Netherlands

Economic position difficult to assess accurately as result of somewhat emotional approach to all critical problems by its chief delegate on economic matters, Dr. Hart. If this particular delegate were to set Netherlands policy there would be strenuous objection against any increase in the Japanese standard of living in the next 3-5 years. Fears expressed by this delegate concerning Dean Atcheson's recent speech on the "Two Great Workshops of Europe and Asia (Germany and Japan)" have taken the form of a cynical and critical attitude toward the U. S. position in the FEC. The implication is that the U. S. position stated in FEC-218 is in fact no longer the U. S. position and that any attempt to change that position in the direction of a higher standard of industrial level in Japan would be strongly opposed. Violent opposition expressed to the U. S. position on unidentified looted property. The U. S. suggestion for creating "self-liquidating manufacturing programs" based partially on funds from unidentified looted property has been strongly opposed as a violation of justice and right in restitution. Reparations percentage share requested -- 15%.

New Zealand

More concerned than almost any delegation in the failure of the Commission to obtain reasonably swift agreements on most significant problems. Will probably support in general a moderate economy for Japan with not too many future restrictions on its development (in consumer production items after the period of occupation). Very much concerned, however, in keeping a reasonably low level of civilian living standard during the period of general reconstruction in the Far East (the next 5 years). The reparations percentage share requested -- 2%.

17 Aug 1949

HISTORY OF REPARATIONS POLICIESReparations Allocations Procedures for Industrial Facilities in Japan
(FEC-211 Series)

The Subcommittee established by Committee No. 1 in June 1946 which produced the first draft of the policy decision on delivery of reparations goods (CI-007) also considered the question of allocation procedures. However, no draft was made, largely because the U. S. maintained that a paper was premature and that the U. S. Government had not had time to consider the matters involved.

On 18 March 1947, the U. S. introduced a statement on reparations allocations for industrial facilities in Japan (FEC-211) as the basis for a policy decision on that subject. Of all the phases of the reparations problem, this one called forth the most lengthy technical discussion. Allocations procedure was the point at which the controlling policies on amount of reparations available and division of shares were to be translated into fact by the assignment of specific industrial equipment to the various claimant countries. Therefore each phrase of the proposed procedure was studied carefully for its practical implications, and governments were wary lest rules be laid down that would turn out to work against their interests once the process was started.

The U. S. proposal was discussed intensively in Committee No. 1 during the following 2 weeks, and several amendments made. At the request of the U. S. Member, and against the wishes of some Members (particularly the Soviet and Australian), the amended version (FEC-211/3) was forwarded directly to

the FEC without recommendation. On 4 April 1947, the U. S. issued Interim Directive No. 75 on advance transfers of reparations. Part B of the directive dealt with allocations procedures, and consisted of the contents of FEC-211/3, with the exception of one paragraph.

A brief summary of the procedures set forth in the directive is as follows:

1. SCAP should be responsible for final selection of facilities under provisions of directives setting amount available.
2. SCAP should inventory and value equipment selected and submit results to representatives of FEC countries who may then lodge claims with SCAP for particular facilities. As soon as the problem of shares is settled, SCAP should set up reparations accounts for recipient countries.
3. In case of conflicting claims, SCAP should work out the most reasonable allocation, considering first the proportion of each country's share unfilled and then, in order:
 - a. Claims for whole plants over claims for portions,
 - b. Claims for equipment which can be integrated into existing industrial pattern of claimant country,
 - c. Extent to which claimed equipment was lost in the war by claimant country,
 - d. Pre-war imports of item from Japan by claimant country.
4. SCAP should aim at a fair balance between all countries in allocating integrated units, modern equipment, and equipment in good working order.

5. Each FEC country should be permitted to have a reparations technical mission in Japan with full opportunity for information and investigation. SCAP should organize the heads of these missions into a Reparations Technical Advisory Committee to assist him in developing procedures and resolving duplicate claims. In case of a dispute between SCAP and a member country over a SCAP allocation, SCAP has final authority. However, if formal protest is made by 2/3 of members of the RTAC, SCAP may at his discretion refer the dispute to the U. S. Government.

6. Claims must be filed within 6 months after claimant country's final percentage share is fixed, or final inventory is received from SCAP, whichever is later.

7. Each claimant will arrange for transportation at port of delivery, and accept goods within 2 years of allocation.

8. Industrial equipment available for reparations but unclaimed should not be disposed of by SCAP without further directives.

9. These provisions apply to any non-FEC country declared eligible for reparations but none may sit on RTAC.

10. Inventory and valuation provided for (2 above) should not delay delivery of advance transfers.

The paragraph of FEC-211/3 omitted in the interim directive placed an obligation on the claimant country not to sell reparations assets within three years of receipt, but provided that it might allocate on political basis equipment received in excess of its needs or desires.

All FEC countries established reparations missions in Tokyo, SCAP organized an RTAC, and advance transfer removals began under the procedure outlined in the U. S. directive. An outline of SCAP functions and procedures under the directive was circulated to the FEC as MI-125/1. Meanwhile, discussion of an FEC policy decision for the final reparations program continued. A crucial issue was the extent of SCAP authority in the final valuation of goods and judgment of claims, and the relationship ^{between} of SCAP, the RTAC, and the FEC in settling disputes (5 above). A Soviet amendment (GI-211/6) proposed that disputed SCAP valuations be settled by joint valuations participated in by representatives of SCAP and the claimant country, and that the FEC receive all claims for primary industrial facilities and allocate them directly.

In the months that followed, Committee No. 1 considered many amendments to the proposal in FEC-211/4, adopting a number of changes. In July 1947, the subject was referred to an ad hoc Subcommittee to study proposed amendments in relation to the terms of reference and procedures of the existing RTAC. The Subcommittee reported a revised draft in December 1947, and on 3 March 1948, a proposed policy was forwarded to the Steering Committee approved by seven Members, with the Soviet Member opposed and the Netherlands, Philippine and U. S. Members abstaining. A comprehensive summary of the year's discussion is impractical. Reference to the following documents will afford more detailed knowledge:

GI-211/9	15 July 1947	Working draft including all amendments proposed to date
GI-211/10	11 Sept 1947	"

CI-211/12	10 Dec 1947	Subcommittee revision and explanatory memo
CI-231/2	3 Mar 1948	Secretary's summary of discussions of problem of valuations in Subcommittee
SC-211/18	5 Mar 1948	Proposed policy forwarded to Steering Committee
SC-2 11/21	29 Mar 1948	Explanatory memo from Committee No. 1 re SC-211/18

CI-211/26, the most recent version of the paper, was circulated 14 May 1948. It incorporates all amendments adopted up to that point, and the cover page contains explanations of various governments positions. CI-211/26 differs from Part B of the U. S. interim directive ^{containing} in the following provisions:

1. When, after allocation but before packing, an item is found not to conform to the inventory information or when it is damaged in transit, a country may refuse to accept it and no charge will be made to its reparations account.
2. In allocating desirable equipment, and in judging conflicting claims, SCAP shall give due regard to the special problems of countries whose shares are small.
3. Industrial facilities looted from Allied countries should not be allocated as reparations until checked for possible restitution.
4. SCAP should organize a Reparations Technical Committee (cf. RTAC) from the heads of Allied reparations missions to assist him in developing procedures for allocation and in settling disputes according to the following procedure:

a. A country dissatisfied with a SCAP allocation may, within 30 days of it, refer the case for final settlement to the RTC which may hear it itself, or appoint arbitrators.

b. Duties of arbitration shall be equally shared by all RTC members. Disputants must supply information.

c. Discussions of the RTC in disputes should be by simple majority vote and made within 30 days of reference of the case to it.

5. On request of any member, the RTC may, by simple majority vote, request SCAP to review a valuation considered inconsistent with other valuations.

6. Recipient country should not dispose of facilities within 16 months (cf. 3 years in CI-211/3) of delivery, other than for use within its territory or by its nationals, or to satisfy foreign war damage claims against it. Barter of reparations facilities between recipients, however, is allowed.

7. In arranging delivery, SCAP should take into account the order desired by each country for delivery of various items in its share. He should preserve a balance among rates of delivery for all countries, with any advantage going to small-share countries. Each country may specify up to 40% of its items for delivery within one year of allocation.

On 24 May 1948, the USSR submitted amendments to CI-211/26 which were substantially the same as the Soviet amendments submitted in April 1947.

They (CI-211/28) proposed, in place of the corresponding provisions of CI-211/26, the following:

1. Valuation -- Inspecting representatives of claimant countries may ask for materials on which SCAP valuations were based, and in case of disagreement the final valuation shall be decided by a joint valuation participated in by a representative of the claimant country and a SCAP representative.
2. Inter-Allied Reparations Agency -- This agency should be established from the heads of the Allied reparations missions (instead of RTC) to approve claims and allocate industrial facilities selected by SCAP. Its decisions should be by simple majority vote, and require subsequent approval by the FEC.

At the 161st meeting of Committee No. 1 on 26 May 1948, the Australian Member as Chairman of the RTAC Subcommittee, made detailed comment on the Subcommittee's consideration of the Soviet amendments as they had originally been introduced in April 1947. The amendments were voted on and lost.

By September 1948, all delegations except the Soviet and U. S. supported CI-211/26, with some minor reservations expressed. The Soviet Member stated that he was ready for a vote on the paper. The U. S. Member was without final instructions. There was a question of the paper's applicability to the advance transfers program, with general agreement that it did not, but some difference of opinion about indicating this in the

paper. Some Members expressed the view that no final action should be taken on the paper until the problem of reparations shares was settled.

Three months passed without a statement of U. S. position, or further discussion of the paper. On 17 January 1949, by agreement of the Committee, its Chairman submitted a written report to the Chairman of the FEC informing him of the suspension of GI-211/26 pending a decision on division of shares, or until some Member requested its reinstatement.

211 folder

Mr. R. W. Barnett

25 February 1949

J. F. Davidson, Reparations Secretary

Rules of Procedure for RTAC

1. The original rules of procedure in the U. S. directive setting up RTAC (see MI-129, p. 2) are mainly a general statement of its advisory function in developing administrative procedures for reparations and in settling conflicts between claimants. The only specific provision is for a formal protest in cases of disagreement between SCAP and a claimant, provided 2/3 of the members agree to the protest. SCAP might then, in his discretion, refer the dispute to the U. S. Government.

2. When the RTAC was transferred to the Civil Property Custodian, new rules of procedure were issued on 2 January 1949 (MI-129/41) and revised on 26 January 1949 (MI-129/42). The revised rules contain the following provisions not found in the original rules:

- a. The Chairman will not vote on any matter before the Committee for a vote.
- b. A quorum of not less than 7 members is necessary to bring a matter of substance before the Committee for a decision.
- a. Three categories of voting are established:
 - (1) On procedural matters - a simple majority of the votes cast.
 - (2) On "substantive matters" (not further defined) - a majority of votes cast, provided a quorum of 7 is present, determines the Committee's recommendation.
 - (3) To make a formal protest to SCAP - a 2/3 majority of the members of RTAC. (As in original rules).

3. Paragraph 11 of the pending paper on Reparations Allocations Procedures (CI-211/26) is chiefly concerned with arbitration

Mr. Barnett

- 2 -

25 February 1949

by the proposed RTC of all cases in which one or more claimants are dissatisfied with SCAP's allocation, and with review of SCAP's valuations. The present RTAC rules of procedure contain no such provisions, and specifically state that SCAP has final authority in such matters.

4. As far as is known, the RTAC has never made a formal protest to SCAP, and only one matter has ever been voted upon. This was the dispute between China and the Philippines over the Kuro power plant (MI-129/38). General Harrison stated that he was asking members' personal opinions, not as representatives of various nations, but as private individuals who knew the problem involved (MI-129/37). The vote was by secret ballot, 4 for China, 1 for the Philippines, 3 blank ballots, and USSR absent. This could not be considered a Committee recommendation since members voted solely in a personal capacity, but it is presumably the type of question that would normally come under "substantive matters" in the revised rules. Furthermore, at the time the vote was taken, it was evidently the understanding of members that SCAP would accept the majority verdict, which he did.

James F. Davidson

General McCoy, Chairman
Far Eastern Commission

4 January 1949

Mr. Bullock, Chairman
Committee No. 1, Reparations

Suspension of Paper on Reparations Allocations
Procedures (CI-211/26, /28; SC-211/18, /21)

1. There has been no action on Reparations Allocations Procedures for the past several months, and the paper is about to be suspended indefinitely from the agenda of Committee No. 1.

2. The Committee has agreed that I should inform you of this fact, and of the reasons for the delay.

3. The Committee is unable usefully to discuss this item because:

a. Many Members feel that, since a policy on procedure for allocating reparations cannot operate until a reparations program is under way, there is no purpose in passing this paper while so many major decisions on reparations remains to be made.

b. The United States has not made any statement of its position.

4. Until these circumstances are altered, or any Member presses for consideration of the paper, no action will be taken.

H. W. BULLOCK
Chairman, Committee No. 1

STANDARD FORM NO. 64

Office Memorandum · UNITED STATES GOVERNMENT

DATE: May 24, 1948

TO : Mr. Bullock

FROM : D. K. Eichler

SUBJECT: Subcommittee's treatment of Soviet amendments
to paper on Reparations Allocations Procedures

Here is a brief resume of the way in which the Subcommittee handled the Soviet amendments in C1-211/10. The new Soviet amendments now circulated in C1-211/28 are substantially the same as those in C1-211/10, with a few exceptions noted in the enclosure.

In each case I have attempted to show that in some degree the present draft of the paper (C1-211/26) actually represents a compromise of various conflicting positions, and that in most instances a genuine effort has been made to meet the interests of the Soviet Delegation as expressed in their amendments.

You will note that I have written this in some places in the first person with a view to the possibility that you might wish to refer to it in the meeting of Committee No. 1 this week.

I have additional copies of this memorandum if you would like to have them.

24 May 1948

SUBJECT: REPARATIONS ALLOCATIONS PROCEDURES

(Comments on Soviet Amendments in C1-211/27
with special reference to RTAC Subcommittee's
Discussions of earlier Soviet Amendments in
C1-211/10)

1. At the 160th meeting of Committee No. 1, the Soviet Member submitted amendments involving paragraphs 1, 4, 5, 6, 7, 8, 10, 11 and 13 of C1-211/26. With the exception of the amendments to paragraphs 1 and 6, these are substantially the same amendments which the Soviet delegation originally submitted in April 1947 and which were circulated originally in C1-211/10. It will be remembered that these amendments, together with all other outstanding amendments, were subsequently referred to the RTAC Subcommittee for detailed study. In the course of its discussions the Subcommittee gave exhaustive consideration to every amendment placed before it. Since no official records of Subcommittee meetings are kept, other than the notes of the Secretary, there is no available document at the present time which explains the decisions of the Subcommittee on each amendment which was placed before it. I believe it would be helpful, therefore, to review briefly the thinking of the Subcommittee in its consideration of the Soviet amendments.

2. It should be stated by way of preamble that the Subcommittee made every effort to meet the interests of all countries as expressed in the amendments which they had submitted. The work of the Subcommittee, as will be remembered, spread over nearly a year, and every conceivable attempt was made to reach maximum agreement on all issues. In fact, the Subcommittee has taken a certain pride in the way in which it has succeeded in working out a number of compromise solutions to what at first appeared to be serious differences of opinion. The Subcommittee's treatment of the Soviet amendments was no exception, as I shall endeavor to make clear in what follows.

3. Among the Soviet amendments contained in C1-211/27, those concerning the first and sixth paragraphs of C1-211/26 were not considered by the Subcommittee. I will, therefore, make no comment on these amendments at this time.

4. The Soviet amendment to paragraph 4 has as its objective the protection of claimant countries against possible errors in SCAP's judgment or calculation in assigning valuations to particular facilities. The method for resolving disputes of this kind under the Soviet amendment would require that SCAP and the disputing country settle the matter jointly. The Soviet amendment would also provide that the disputing country could require SCAP to submit to its representative the materials on the basis of which the valuation had been

made. The Subcommittee gave considerable thought to the problem of valuations and finally decided to add a new provision to the paper providing for a review of SCAP's valuations. This amendment is contained in paragraph 11 (c) of C1-211/26 where it states that one of the functions of the RTC should be 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 the request of any member, the RTC may, by a simple majority vote of those members present request SCAP to review any valuation whether of an individual facility or a category of facilities, which it considers to be inconsistent with valuations of other industrial facilities or categories of facilities.

It was assumed in the discussions of the Subcommittee on this point that upon reviewing a particular valuation, SCAP would, of course, endeavor to explain satisfactorily the decision he had made with respect to the valuation in question. In so doing it would seem likely that sufficient information would be placed before the country concerned to enable it to judge the validity of the valuation decided upon. One aspect of the Soviet amendment would, therefore, be met in this way.

The suggestion of joint re-valuation between the disputing country and SCAP raised difficulties which have been discussed not only in the Subcommittee but in the RTAC in Tokyo. The Subcommittee had the privilege of hearing some comments on this subject by a member of the Netherlands delegation who had just returned from Tokyo. He said that it was the general feeling of the delegations on the RTAC that any attempt to permit recipient countries to request changes in valuations of particular facilities would almost certainly cause serious delay in the reparations program. However desirable some system of re-negotiation of valuations between SCAP and recipient countries might be in theory, it was felt that in the interests of expediting the reparations program SCAP should be permitted to go ahead with the valuations procedures that had been presented to the RTAC and discussed and clarified in subsequent meetings of that group. It was feared that it would be impossible to retain comparability among valuations if each member were permitted to seek re-valuations in accordance with his own ideas.

While it is well known that a very friendly working relationship exists between the RTAC and SCAP headquarters, the Subcommittee felt that there should nevertheless be some way for claimant countries to appeal to SCAP when his valuations of particular facilities were considered by them to be inconsistent with the valuations assigned by him to other particular facilities or were, perhaps, simply in error. After further study and discussion of this point, the Subcommittee was able to agree to the addition of the provision now contained in paragraph 11 c. It

was felt that this would satisfy in large measure the interest of countries such as the Soviet Union in obtaining some reasonable chance of redress in the event of disagreement over SCAP's valuations.

It should be stressed that the present paragraph 11 c represents a compromise between those Members of the Subcommittee which felt that the reparations program should in no way be delayed by any reconsideration of SCAP's values and those Members who felt that some method of re-negotiation should be provided.

5. The Soviet amendments to paragraphs 5, 7, 8, 10, 11 and 13 all concern the proposed establishment of an Inter-Allied Reparations Agency (IARA) which would replace the Reparations Technical Committee (RTC) of the present paper. IARA would, presumably, be charged with the function of considering and approving the reparations claims of countries, subject to final approval by the FEC. IARA would also assume the function of allocation, or at least tentative allocation. The entire function of allocation as now being carried out by SCAP would thus be lodged with IARA. There are two distinct questions to consider here: (a) The question of the desirability of having the allocation function handled by an inter-Allied agency rather than a unitary authority such as SCAP; and (b) the question of the desirability of requiring subsequent approval of IARA's decision by the FEC.

a. The Subcommittee considered substantially the same amendment as this in the earlier Soviet version contained in Cl-211/10. It rejected the idea that an inter-Allied agency should do the actual allocating of reparations facilities on the ground that any procedure for allocation which would require the agreement of all the parties interested in the receipt of particular facilities would cause endless delay in the implementation of the reparations program. In many cases it was not inconceivable that half a dozen countries might be interested in receiving the same plant or facility. The difficulty of getting an Allied decision on the allocation of such a plant to one of the six claimants with the six claimants participating in the decision would almost certainly cause great delay. For this reason the Subcommittee decided to modify the Soviet proposal by making special provision for the settlement of disputes between SCAP and a claimant country by the RTC, or by some arbitration machinery established by the RTC. The Subcommittee gave a great deal of its time to the determination of a suitable procedure whereby any conflicts between claimants or between a claimant and SCAP could be handled. The results can be read in paragraph 11 b of the present document. It seemed to the Subcommittee that a distinct advantage would be gained in expediting the reparations job if the function of allocation remained primarily the duty of SCAP, provided, however, that specific provision were made for the settlement of any disputes that might arise from SCAP's allocations. The Subcommittee considers as one of its chief accomplishments the drafting of the terms of reference of the RTC in the matter of settling such disputes.

b. That part of the Soviet proposal which would require FEC approval of the decisions of IARA was also considered by the Subcommittee. It was ultimately rejected as unworkable for two reasons. In the first place any judgment concerning the equitability of the decisions of IARA would require that the FEC become a kind of super-IARA, and this would require that it be at least as fully informed and technically qualified concerning the manifold complexities of the reparations program as the technical missions in Japan themselves. The FEC is not a technical Commission. True, it has set up what have perhaps too generously been called "technical Committees," but their function is to consider the technical aspects of policy formulation not the technical aspects of policy implementation. The function of allocation is a field function, and cannot be exercised by a policy body such as the FEC. It seemed altogether unfeasible and impracticable, therefore, to saddle the FEC with a task which would not only be duplicated in Japan by the various technical missions there, but which could be handled infinitely more effectively by such missions.

The second major reason for rejecting the idea of requiring FEC approval of allocations was that this would mean that the voting procedure governing the FEC would be applied to every particular reparations allocation. The Subcommittee believed that this would cause such serious delay in the implementation of the reparations program as to render it virtually unworkable. The Subcommittee, therefore, decided to vest the final authority on particular allocations with the RTC and in any arbitration machinery which the RTC might establish pursuant to its terms of reference. It was considered that this would constitute a perfectly satisfactory and equitable mode of appeal on SCAP's allocations and at the same time would minimize any delays in implementing the reparations program.

6. Conclusion. As Chairman of the RTAC Subcommittee, I believe that it can be fairly stated that the Soviet amendments now before us have already been given serious consideration, and that in many instances the present draft contained in Cl-211/26 represents a compromise between the Soviet proposals and the positions of other delegations. We believe, in short, that the draft contained in Cl-211/26 has gone a long way toward meeting the interests of the Soviet delegation as expressed in their amendments.

24 May 1948

SUBJECT: REPARATIONS ALLOCATIONS PROCEDURES

(Comments on Soviet Amendments in C1-211/27
with special reference to RTAC Subcommittee's
Discussions of earlier Soviet Amendments in
C1-211/10)

1. At the 160th meeting of Committee No. 1, the Soviet Member submitted amendments involving paragraphs 1, 4, 5, 6, 7, 8, 10, 11 and 13 of C1-211/26. With the exception of the amendments to paragraphs 1 and 6, these are substantially the same amendments which the Soviet delegation originally submitted in April 1947 and which were circulated originally in C1-211/10. It will be remembered that these amendments, together with all other outstanding amendments, were subsequently referred to the RTAC Subcommittee for detailed study. In the course of its discussions the Subcommittee gave exhaustive consideration to every amendment placed before it. Since no official records of Subcommittee meetings are kept, other than the notes of the Secretary, there is no available document at the present time which explains the decisions of the Subcommittee on each amendment which was placed before it. I believe it would be helpful, therefore, to review briefly the thinking of the Subcommittee in its consideration of the Soviet amendments.

2. It should be stated by way of preamble that the Subcommittee made every effort to meet the interests of all countries as expressed in the amendments which they had submitted. The work of the Subcommittee, as will be remembered, spread over nearly a year, and every conceivable attempt was made to reach maximum agreement on all issues. In fact, the Subcommittee has taken a certain pride in the way in which it has succeeded in working out a number of compromise solutions to what at first appeared to be serious differences of opinion. The Subcommittee's treatment of the Soviet amendments was no exception, as I shall endeavor to make clear in what follows.

3. Among the Soviet amendments contained in C1-211/27, those concerning the first and sixth paragraphs of C1-211/26 were not considered by the Subcommittee. I will, therefore, make no comment on these amendments at this time.

4. The Soviet amendment to paragraph 4 has as its objective the protection of claimant countries against possible errors in SCAP's judgment or calculation in assigning valuations to particular facilities. The method for resolving disputes of this kind under the Soviet amendment would require that SCAP and the disputing country settle the matter jointly. The Soviet amendment would also provide that the disputing country could require SCAP to submit to its representative the materials on the basis of which the valuation had been

made. The Subcommittee gave considerable thought to the problem of valuations and finally decided to add a new provision to the paper providing for a review of SCAP's valuations. This amendment is contained in paragraph 11 (c) of C1-211/26 where it states that one of the functions of the RTC should be 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 the request of any member, the RTC may, by a simple majority vote of those members present request SCAP to review any valuation whether of an individual facility or a category of facilities, which it considers to be inconsistent with valuations of other industrial facilities or categories of facilities.

It was assumed in the discussions of the Subcommittee on this point that upon reviewing a particular valuation, SCAP would, of course, endeavor to explain satisfactorily the decision he had made with respect to the valuation in question. In so doing it would seem likely that sufficient information would be placed before the country concerned to enable it to judge the validity of the valuation decided upon. One aspect of the Soviet amendment would, therefore, be met in this way.

The suggestion of joint re-valuation between the disputing country and SCAP raised difficulties which have been discussed not only in the Subcommittee but in the RTAC in Tokyo. The Subcommittee had the privilege of hearing some comments on this subject by a member of the Netherlands delegation who had just returned from Tokyo. He said that it was the general feeling of the delegations on the RTAC that any attempt to permit recipient countries to request changes in valuations of particular facilities would almost certainly cause serious delay in the reparations program. However desirable some system of re-negotiation of valuations between SCAP and recipient countries might be in theory, it was felt that in the interests of expediting the reparations program SCAP should be permitted to go ahead with the valuations procedures that had been presented to the RTAC and discussed and clarified in subsequent meetings of that group. It was feared that it would be impossible to retain comparability among valuations if each member were permitted to seek re-valuations in accordance with his own ideas.

While it is well known that a very friendly working relationship exists between the RTAC and SCAP headquarters, the Subcommittee felt that there should nevertheless be some way for claimant countries to appeal to SCAP when his valuations of particular facilities were considered by them to be inconsistent with the valuations assigned by him to other particular facilities or were, perhaps, simply in error. After further study and discussion of this point, the Subcommittee was able to agree to the addition of the provision now contained in paragraph 11 c. It

was felt that this would satisfy in large measure the interest of countries such as the Soviet Union in obtaining some reasonable chance of redress in the event of disagreement over SCAP's valuations.

It should be stressed that the present paragraph 11 c represents a compromise between those Members of the Subcommittee which felt that the reparations program should in no way be delayed by any reconsideration of SCAP's values and those Members who felt that some method of re-negotiation should be provided.

5. The Soviet amendments to paragraphs 5, 7, 8, 10, 11 and 13 all concern the proposed establishment of an Inter-Allied Reparations Agency (IARA) which would replace the Reparations Technical Committee (RTC) of the present paper. IARA would, presumably, be charged with the function of considering and approving the reparations claims of countries, subject to final approval by the FEC. IARA would also assume the function of allocation, or at least tentative allocation. The entire function of allocation as now being carried out by SCAP would thus be lodged with IARA. There are two distinct questions to consider here: (a) The question of the desirability of having the allocation function handled by an inter-Allied agency rather than a unitary authority such as SCAP; and (b) the question of the desirability of requiring subsequent approval of IARA's decision by the FEC.

a. The Subcommittee considered substantially the same amendment as this in the earlier Soviet version contained in C1-211/10. It rejected the idea that an inter-Allied agency should do the actual allocating of reparations facilities on the ground that any procedure for allocation which would require the agreement of all the parties interested in the receipt of particular facilities would cause endless delay in the implementation of the reparations program. In many cases it was not inconceivable that half a dozen countries might be interested in receiving the same plant or facility. The difficulty of getting an Allied decision on the allocation of such a plant to one of the six claimants with the six claimants participating in the decision would almost certainly cause great delay. For this reason the Subcommittee decided to modify the Soviet proposal by making special provision for the settlement of disputes between SCAP and a claimant country by the RTC, or by some arbitration machinery established by the RTC. The Subcommittee gave a great deal of its time to the determination of a suitable procedure whereby any conflicts between claimants or between a claimant and SCAP could be handled. The results can be read in paragraph 11 b of the present document. It seemed to the Subcommittee that a distinct advantage would be gained in expediting the reparations job if the function of allocation remained primarily the duty of SCAP, provided, however, that specific provision were made for the settlement of any disputes that might arise from SCAP's allocations. The Subcommittee considers as one of its chief accomplishments the drafting of the terms of reference of the RTC in the matter of settling such disputes.

b. That part of the Soviet proposal which would require FEC approval of the decisions of IARA was also considered by the Subcommittee. It was ultimately rejected as unworkable for two reasons. In the first place any judgment concerning the equitability of the decisions of IARA would require that the FEC become a kind of super-IARA, and this would require that it be at least as fully informed and technically qualified concerning the manifold complexities of the reparations program as the technical missions in Japan themselves. The FEC is not a technical Commission. True, it has set up what have perhaps too generously been called "technical Committees," but their function is to consider the technical aspects of policy formulation not the technical aspects of policy implementation. The function of allocation is a field function, and cannot be exercised by a policy body such as the FEC. It seemed altogether unfeasible and impracticable, therefore, to saddle the FEC with a task which would not only be duplicated in Japan by the various technical missions there, but which could be handled infinitely more effectively by such missions.

The second major reason for rejecting the idea of requiring FEC approval of allocations was that this would mean that the voting procedure governing the FEC would be applied to every particular reparations allocation. The Subcommittee believed that this would cause such serious delay in the implementation of the reparations program as to render it virtually unworkable. The Subcommittee, therefore, decided to vest the final authority on particular allocations with the RTC and in any arbitration machinery which the RTC might establish pursuant to its terms of reference. It was considered that this would constitute a perfectly satisfactory and equitable mode of appeal on SCAP's allocations and at the same time would minimize any delays in implementing the reparations program.

6. Conclusion. As Chairman of the RTAC Subcommittee, I believe that it can be fairly stated that the Soviet amendments now before us have already been given serious consideration, and that in many instances the present draft contained in C1-211/26 represents a compromise between the Soviet proposals and the positions of other delegations. We believe, in short, that the draft contained in C1-211/26 has gone a long way toward meeting the interests of the Soviet delegation as expressed in their amendments.

MOTION: Reps Alloc Padres CI-211/20 DATE 16 June 48

VOTE

CANVASS <input checked="" type="checkbox"/>	PRO	CON	ABSTAIN	REMARKS
Australia	✓			
Canada	✓			
China	✓			
France				(absent)
India	✓			Gen'lly acceptable
Netherlands				No formal instruction
New Zealand	✓			
Philippines			✓	No formal instruction - OK per copy
USSR				Ready to vote
United Kingdom	✓	→		OK except #12
United States			✓	Can't vote now
TALLY:				

RESULT: CARRIED
 LOST VETO
 NO MAJ

STANDARD FORM NO. 64

Office Memorandum · UNITED STATES GOVERNMENT

DATE: May 24, 1948

TO : Mr. Bullock

FROM : D. K. Eichler

SUBJECT: Subcommittee's treatment of Soviet amendments
to paper on Reparations Allocations Procedures

Here is a brief resume' of the way in which the Subcommittee handled the Soviet amendments in C1-211/10. The new Soviet amendments now circulated in C1-211/28 are substantially the same as those in C1-211/10, with a few exceptions noted in the enclosure.

In each case I have attempted to show that in some degree the present draft of the paper (C1-211/26) actually represents a compromise of various conflicting positions, and that in most instances a genuine effort has been made to meet the interests of the Soviet Delegation as expressed in their amendments.

You will note that I have written this in some places in the first person with a view to the possibility that you might wish to refer to it in the meeting of Committee No. 1 this week.

I have additional copies of this memorandum if you would like to have them.

MOTION: USSR Budget to FF 1/ci DATE 21/26 26 May

VOTE

CANVASS

	PRO	CON	ABSTAIN	REMARKS
Australia		✓		
Canada		✓		
China	✓			
France			✓	
India		✓		
Netherlands		✓		
New Zealand			✓	
Philippines			✓	
USSR	✓			
United Kingdom		✓		
United States		✓		
TALLY:	2	6	3	

RESULT: CARRIED
 LOST VETO
 NO MAJ

USSR amendment to

MOTION:

44 g. 21-21/26

DATE

26 May

VOTE

CANVASS

	PRO	CON	ABSTAIN	REMARKS
Australia		✓		
Canada		✓		
China			✓	
France		✓		
India		✓		
Netherlands		✓		
New Zealand			✓	
Philippines		✓		
USSR	✓			
United Kingdom		✓		
United States		✓		
TALLY:	1	8	2	

RESULT:

CARRIED

LOST

VETO

NO MAJ

MOTION: South Africa & P 5 / CI-211-26 DATE 26 May

VOTE

CANVASS <input type="checkbox"/>	PRO	CON	ABSTAIN	REMARKS
Australia		✓		
Canada		✓		
China		✓		
France			✓	
India		✓		
Netherlands		✓		
New Zealand		✓		
Philippines		✓		
USSR	✓			
United Kingdom		✓		
United States		✓		
TALLY:	1	9	1	

RESULT: CARRIED
 LOST VETO
 NO MAJ

MOTION: Anti Soviet to P69 C1-211/26 DATE 26 May

VOTE

CANVASS

	PRO	CON	ABSTAIN	REMARKS
Australia				
Canada				
China	✓			
France				
India				
Netherlands		✓		
New Zealand				
Philippines				
USSR	✓			
United Kingdom				
United States		✓		
TALLY:	2	2	7	

RESULT: CARRIED
 LOST VETO
 NO MAJ
Tie

MOTION: 7 + 8 DATE _____

VOTE

CANVASS <input type="checkbox"/>	PRO	CON	ABSTAIN	REMARKS
Australia		✓		
Canada		✓		
China		✓		
France		✓		
India		✓		
Netherlands		✓		
New Zealand		✓		
Philippines		✓		
USSR	✓			
United Kingdom		✓		
United States		✓		
TALLY:	1	10		

RESULT: CARRIED
 LOST VETO
 NO MAJ

MOTION: 9H 10 DATE _____

VOTE

CANVASS <input type="checkbox"/>	PRO	CON	ABSTAIN	REMARKS
Australia		✓		
Canada		✓		
China		✓		
France		✓		
India		✓		
Netherlands		✓		
New Zealand		✓		
Philippines		✓		
USSR	✓			
United Kingdom		✓		
United States		✓		
TALLY:	1	10		

RESULT: CARRIED
 LOST WETO
 NO MAJ

MOTION: Agmt to P 13 of CI-211/84 DATE 26 May

VOTE

CANVASS

	PRO	CON	ABSTAIN	REMARKS
Australia		✓		
Canada		✓		
China		✓		
France			✓	
India		✓		
Netherlands		✓		
New Zealand		✓		
Philippines		✓		
USSR	✓			
United Kingdom		✓		
United States		✓		
TALLY:				

RESULT:

CARRIED	<input type="checkbox"/>
LOST	<input type="checkbox"/>
VETO	<input type="checkbox"/>
NO MAJ	<input checked="" type="checkbox"/>

C1-211RESTRICTEDC1-21118 March 1947FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONSREPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL
FACILITIES IN JAPANNote by the Secretary General

The enclosure, a statement of the United States position regarding reparations allocations procedures for industrial facilities in Japan, is circulated herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.

NELSON T. JOHNSON
Secretary General

C1-211

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 provisions of directives to SCAP 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 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 valuation to industrial facilities selected and listed under a and b. Procedures for uniform monetary valuation should be determined by SCAP. 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.

d. SCAP should submit to reparations claimant countries the inventory provided in b, and the valuation provided in c.

e. 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 "Deliveries of Reparations Goods in Japan" (FEC-094/3) 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 make an initial charge of the monetary value assigned to the facility (in accordance with 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 be made against the reparations account of the recipient country, taking into account, if necessary, any unforeseen loss of value.

f. 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 requests submitted by that country. To the extent that requests of two or more

RESTRICTED

countries are in conflict, he will work out what seems to him the most reasonable allocation, taking into primary consideration the portion of each country's allocation still unfilled. After taking into account this primary consideration and other things being equal, consideration should be given the following four items in stated order of priority:

(1) requests for whole plants and related facilities, as opposed to requests for portions thereof.

(2) Requests for parts of plants or related groups of items which can be integrated with the existing industrial pattern of the requesting country.

(3) the extent to which the requested item or items would replace property which was destroyed, damaged or looted in the war, or requires replacement because of excessive wear incident to prosecuting the war against Japan.

(4) the extent to which the requesting country demanded in pre-war years on imports from Japan of the item or items (or products thereof) requested.

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

(1) in integrated or consolidated units.

(2) of modern and efficient design and manufacture.

(3) in good working condition.

h. Each country entitled to receive an allocation of industrial equipment from Japan on reparations account should be permitted to have a technical mission in Japan. These missions should be afforded full opportunity for inspection of plants declared available. They should be authorized by their governments 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 "Deliveries of Reparations Goods in Japan" (FEC-694/3).

i. SCAP should organize a Reparations Technical Advisory Committee (RTAC) composed of the heads of the 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 member countries arising over requests for particular facilities. In the event of disagreement between SCAP and Member Nations 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

RESTRICTED

has final authority in such matters may, in his discretion, refer the dispute to the U. S. Government.

j. 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 receiving countries in exchange for other assets allotted on reparations account. In so far as fulfillment of the U. S. claim for industrial equipment is in excess of ability or desire of the U. S., to utilize it, the U. S. 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.

k. Claims for individual facilities should be presented to SCAP by the representatives of claimant countries in Japan within six months after the submission by SCAP to claimant countries of the inventory and evaluation of such facility. 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 that period. Industrial facilities, machinery, or equipment (other than specialized war making equipment) declared available for reparations, but either (1) unrequested for application against recognized reparations claims on Japanese assets from within Japan or, (2) undelivered within time limits set herein should not be destroyed or otherwise disposed of by SCAP pending receipt of further directives.

3 (A) 4
2. It is further concluded that the provisions of paragraph 1c 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 1f and the provisions of that part of paragraph 1a which permit recipient countries to barter goods received on reparations account among themselves and which permit the U. S. to dispose of its 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-20) will be rendered inoperative.

C1-211/1RESTRICTEDC1-211/128 March 1947

FAR EASTERN COMMISSION
COMMITTEE NO. 1: REPARATIONS

REPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL
FACILITIES IN JAPAN
(Ref: C1-211)

Note by the Secretary General

1. The enclosure, amendments to C1-211, Reparations Allocations Procedures for Industrial Facilities in Japan, adopted by Committee No. 1 at its 76th meeting, 28 March 1947, is circulated herewith for the further consideration of COMMITTEE NO. 1: REPARATIONS.

2. The U. S. member abstained from voting, and the U.S.S.R. member reserved his position on all of the enclosed amendments.

NELSON T. JOHNSON
Secretary General

C1-211

RESTRICTEDE N C L O S U R EREPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL FACILITIES IN JAPAN: AMENDMENTS TO C1-211 ADOPTED BY COMMITTEE NO. 1: REPARATIONS

At its 76th meeting on 28 March 1947, Committee No. 1 adopted the following amendments to C1-211. The U. S. member abstained from voting on any of the amendments and the U.S.S.R. member reserved his position on all amendments as well as on the entire document.

Page 1: Para 1 d to read as follows:

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

Page 2: Para 1 f to read as follows:

- f. 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 requests submitted by that country. To the extent that requests of two or more countries are in conflict, he will work out what seems to him the reasonable allocation, taking into primary consideration the ~~portion~~ portion of each country's allocation still unfilled. After taking into account this primary consideration and other things being equal, consideration should be given the following four items in stated order of priority:

Page 2: Para 1 h to read as follows:

- h. Each country represented on the FEC entitled-to-receive an-allocation-of-industrial-equipment-from-Japan-on-reparations-account should be permitted to have a reparations technical mission in Japan. These missions should be afforded full opportunity for inspection of plants declared available. They should be authorized by their Governments to make requests for particular industrial facilities, 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 "Deliveries of Reparations Goods in Japan" (FEC-094/3).

Page 2: Para i to read as follows:

- i. 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 member countries arising over requests for particular facilities.

RESTRICTED

and generally in the equitable protection of the interests of all countries members of the FEC.

In the event of disagreement between SCAP and Member Nations 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.

Page 3: Para k to read as follows:

- k. ~~Claims for individual facilities should be presented to SCAP by the representatives of claimant countries in Japan within six months after the submission by SCAP to claimant countries of the inventory and evaluation of such facility.~~ 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. (Remainder of this paragraph becomes para. l below)
- l. Industrial facilities, machinery, or equipment (other than specialized war making equipment) declared available for reparations, but either
- (1) unrequested for application against recognized reparations claims on Japanese assets from within Japan, or
 - (2) undelivered within time limits set forth in l k above, herein

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

Cl-211/2RESTRICTEDCl-211/231 March 1947FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONSREPARATIONS ALLOCATION PROCEDURES
FOR INDUSTRIAL FACILITIES IN JAPAN
(Ref: Cl-211, /1)Note by the Secretary General

1. The enclosure, a working draft combining certain amendments to Cl-211, Reparations Allocations Procedures for Industrial Facilities in Japan, adopted by Committee No. 1 at its 76th meeting 28 March 1947 and further amendments adopted at the 77th meeting on the same day, is circulated herewith for the further consideration of COMMITTEE NO. 1: REPARATIONS.

2. All changes indicated in the enclosure are based on the original paper, Cl-211. Deletions are indicated by striking through the original; additions are underlined. This paper replaces Cl-211/1, which contained only those amendments adopted at the 76th meeting of the Committee.

3. The U. S. member abstained from voting, and the U.S.S.R. member reserved his position on all of the enclosed amendments.

NELSON T. JOHNSON
Secretary General

Cl-211/2

RESTRICTEDE N C L O S U R EREPARATIONS ALLOCATION 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 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 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 valuation to industrial facilities selected and listed under a and b. Procedures for uniform monetary valuation should be determined by SCAP. 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.

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

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.

f. ~~a~~ 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 "Deliveries of Reparations Goods in Japan" (FEC-094/3) 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 make an initial charge of the monetary value assigned to the facility (in accordance with 1 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 be made against the reparations account of the recipient country, taking into account, if necessary, any unforeseen loss of value.

RESTRICTED

e. ~~f.~~ 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 requests submitted by that country. To the extent that requests of two or more countries are in conflict, he will work out what seems to him the most reasonable allocation, taking into primary consideration the ~~portion~~ proportion of each country's allocation still unfilled. After taking into account this primary consideration and other things being equal, consideration should be given the following four items in stated order of priority:

(1) requests for whole plants and related facilities, as opposed to requests for portions thereof.

(2) Requests for parts of plants or related groups of items which can be integrated with the existing industrial pattern of the requesting country.

(3) the extent to which the requested item or items would replace property which was destroyed, damaged or looted in the war, or requires replacement because of excessive wear incident to prosecuting the war against Japan.

(4) the extent to which the requesting country demanded in pre-war years on imports from Japan of the item or items (or products thereof) requested.

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

(1) in integrated or consolidated units.

(2) of modern and efficient design and manufacture.

(3) in good working condition.

i. ~~h.~~ Each country represented on the FEC entitled to receive an allocation of industrial equipment from Japan on reparations account 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 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 "Deliveries of Reparations Goods in Japan" (FEC-094/3).

j. ~~i.~~ 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 Member countries arising over requests for particular facilities, and generally in the equitable protection

RESTRICTED

of the interests of all countries members of the FEC. In the event of disagreement between SCAP and Member Nations 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.

~~h~~ - i. 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 receiving countries in exchange for other assets allotted on reparations account. In so far as fulfillment of the U.S. claim for industrial equipment is in excess of ability or desire of the U.S., to utilize it, the U.S. 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.

~~l~~ - k. ~~Claims for individual facilities should be presented to SCAP by the representatives of claimant countries in Japan within six months after the submission by SCAP to claimant countries of the inventory and evaluation of such facility.~~ 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. (Remainder of this paragraph becomes para. m below)

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

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

(2) undelivered within time limits set forth in l c above, herein

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

2. It is further concluded that 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 U.S. to dispose of its 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.

FEC-211/3RESTRICTEDFEC-211/32 April 1947FAR EASTERN COMMISSIONREPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL
FACILITIES IN JAPAN

(References: C1-211, /1, /2; FEC-201)

Note by the Secretary General

1. The enclosure, a proposed policy submitted by the United States Representative relative to reparations allocations procedures for industrial facilities in Japan, is forwarded herewith by Committee No. 1: Reparations, without recommendation, to the Far Eastern Commission for inclusion on the Commission agenda pursuant to the terms of paragraph 3 of FEC-043.

2. Committee No. 1 approved the motion set forth in paragraph 1 above at its seventy-ninth meeting on 1 April 1947. Seven members of the Commission voted in favor of the motion; the Soviet Member voted against; the French and United Kingdom Members abstained from voting; and the Canadian Member was absent when the vote was taken.

3. The enclosure embodies amendments to the original policy proposal, C1-211, agreed to by the United States Member in the light of informal discussion in Committee No. 1.

NELSON T. JOHNSON
Secretary General

FEC-211/

RESTRICTEDE N C L O S U R EREPARATIONS ALLOCATION 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 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 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 valuation to industrial facilities selected and listed under a and b. Procedures for uniform monetary valuation should be determined by SCAP. 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 asset comprised of industrial facilities and equipment.

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

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.

f. ~~a~~ 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 "Deliveries of Reparations Goods in Japan" (FEC-094/3) 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 make an initial charge of the monetary value assigned to the facility (in accordance with 1 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 be made against the reparations account of the recipient country, taking into account, if necessary, any unforeseen loss of value.

RESTRICTED

g.-f. 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 requests claims submitted by that country. To the extent that requests claims of two or more countries are in conflict, he will work out what seems to him the most reasonable allocation, taking into primary consideration the portion- proportion of each country's allocation still unfilled. After taking into account this primary consideration and other things equal, consideration should be given the following four items in stated order of priority:

(1) requests claims for whole plants and related facilities, as opposed to requests claims for portions thereof.

(2) requests claims for parts of plants or related groups of items which can be integrated with the existing industrial pattern of the requesting claimant country.

(3) the extent to which the requested claimed item or items would replace property which was destroyed damaged or looted in the war, or requires replacement because of excessive wear incident to prosecuting the war against Japan.

(4) the extent to which the requesting claimant country depended in pre-war years on imports from Japan of the item or items (or products thereof) requested-claimed.

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

(1) in integrated or consolidated units.

(2) of modern and efficient design and manufacture.

(3) in good working condition.

i.-h. Each country represented on the FEC entitled-to-receive-an-allocation-of-industrial-equipment-from-Japan-on-reparations-account 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 "Deliveries of Reparations Goods in Japan" (FEC-094/3).

j.-i. 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

RESTRICTED

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 Member claimant countries arising over ~~requests~~ claims for particular facilities. In the event of disagreement between SCAP and ~~Member nations~~ 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.

k. - ~~l.~~ 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 receiving countries in exchange for other assets allotted on reparations account. In so far as fulfillment of the ~~U.S.~~ U.S. claim for industrial equipment is in excess of the ability or desire of the ~~U.S.~~ U.S. claimant country to utilize it, ~~the U.S.~~ 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.

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.

m. - ~~k.~~ ~~Claims for individual facilities should be presented to SCAP by the representatives of claimant countries in Japan within six months after the submission by SCAP to claimant countries of the inventory and evaluation of such facility.~~ 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. (Remainder of this paragraph becomes para. n. below)

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

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

(2) ~~undelivered within time limits set herein~~ unaccepted as prescribed by 1 m above,

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

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.

RESTRICTED

2. ~~It is further concluded that~~ The provisions of paragraph 1 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 1 g and the provisions of that part of paragraph 1 k which permit recipient countries to barter goods received on reparations account among themselves and which permit the U.S. claimant countries to dispose of ~~its~~ 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.

**AMENDMENTS PROPOSED BY THE FRENCH DELEGATION TO THE PAPER
ON REPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL
FACILITIES IN JAPAN**

Para 1 a

Add at end of paragraph:

**- In conformity with the level of peace economy
as will be determined by the Far Eastern Commission**

Para 1 c

Add at end of paragraph:

**It being understood that these evaluations may
always be revised**

Para 1 g

Add the following sub-paragraphs:

- (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.**

Para 1 i

5th line. insert after "should be":

**to proceed to allocations of shares, to adjudicate
in cases of non-conformity or of deterioration of
the items allocated....**

The Australian Member submitted the following amendments to FEC-211/3:

1. 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 work out what seems to him the most reasonable allocation~~, SCAP will refer such claims to the RTAC which will, by a majority vote, determine to which country SCAP's allocation should be made, 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. 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. In the event of disagreement between SCAP and a member country concerning ~~the allocation of a particular facility~~ other matters, 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.

FEC-211/4RESTRICTEDFEC-211/42 April 1947FAR EASTERN COMMISSIONREPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL
FACILITIES IN JAPAN
(Reference: FEC-211/3)Note by the Secretary General

1. The cover sheet of FEC-211/3, forwarding a proposed policy submitted by the United States Representative relative to reparations allocations procedures for industrial facilities in Japan, from Committee No. 1 to the Commission, should have included the following additional information.

2. In forwarding the proposed policy without recommendation to the Commission, Committee No. 1 also agreed to report to the Commission as follows:

a. the proposed policy is forwarded to the Commission for inclusion on the agenda of the meeting of 3 April 1947 at the request of the United States member;

b. the Committee has not completed discussions of FEC-211/3;

c. the following members have not so far received instructions from their Governments on either the original paper (C1-211) or its amendments: Australia, Canada, France, India, U.S.S.R., and United Kingdom.

3. The vote of Committee No. 1, set forth in paragraph 2 of FEC-211/3, covers both this report as well as the forwarding of the paper.

4. Paragraph 3 of FEC-211/3 should read as follows: "The enclosure embodies amendments to the original policy proposal, C1-211, agreed to by the United States Member in the light of majority views on these amendments expressed by Committee member during informal discussions of the proposal in Committee No. 1."

NELSON T. JOHNSON
Secretary General

FEC-211/4

FEC-211/5RESTRICTEDFEC-211/54 April 1947FAR EASTERN COMMISSIONREPARATIONS ALLOCATIONS PROCEDURES
FOR INDUSTRIAL FACILITIES IN JAPAN
(References: FEC-211/3, FEC-211/4)Note by the Secretary General

The Far Eastern Commission at its fifty-second meeting, 3 April 1947, referred the proposed policy on reparations allocations procedures for industrial facilities in Japan (FEC-211/3, FEC-211/4), back to COMMITTEE NO. 1: REPARATIONS for further consideration.

NELSON T. JOHNSON
Secretary General

FEC-211/5

COPY NO. _____

283

FEC-216/1CONFIDENTIALFEC-216/18 April 1947FAR EASTERN COMMISSIONINTERIM DIRECTIVE REGARDING ADVANCE TRANSFERS OF JAPANESE
REPARATIONS AND REPARATIONS ALLOCATION PROCEDURES
FOR INDUSTRIAL FACILITIES IN JAPAN(References: FEC-216; FEC-211/3; FEC-201)Note by the Secretary General

1. The enclosure, a United States interim directive to the Supreme Commander for the Allied Powers regarding advance transfers of Japanese reparations and reparations allocations procedures for industrial facilities in Japan, is circulated herewith for the consideration of the Far Eastern Commission and is referred to COMMITTEE NO. 1: REPARATIONS.

2. This directive was forwarded to the Supreme Commander for the Allied Powers on 4 April 1947.

3. A certified copy of the United States ~~interim~~ directive to the Supreme Commander for the Allied Powers has been filed with the Commission in accordance with Section III, paragraph 4, of the Terms of Reference.

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

NELSON T. JOHNSON
Secretary General

FEC-216/1

CONFIDENTIALE N C L O S U R EINTERIM DIRECTIVE REGARDING ADVANCE TRANSFERS
OF JAPANESE REPARATIONS AND REPARATIONS ALLOCA-
TION PROCEDURES FOR INDUSTRIAL FACILITIES
IN JAPAN

Serial No. 75

4 April 1947

The following interim directive, Serial No. 75, received from State, War, and Navy Departments, issued under the provisions of paragraph III, 3, of the Terms of Reference of the Far Eastern Commission, is furnished for your guidance:

PART A

1. The Supreme Commander for the Allied Powers should effect immediate delivery of assets within Japan in accordance with the provisions of the directive, Serial No. 69, February 19, 1947, regarding the Delivery of Reparations Goods in Japan, as advance payment on account of ultimate reparations shares providing:

a. that such assets fall within categories of Japanese facilities and equipment which have been properly declared as available for reparations transfer by the Far Eastern Commission and designated for removal by the Supreme Commander for the Allied Powers;

b. that such assets should be declared by the Supreme Commander for the Allied Powers to China, the Philippines, the Netherlands (for Netherlands East Indies) and the United Kingdom for Malaya, Burma and its colonial possessions in the Far East;

c. that such assets should be delivered to a recipient country only after it has supplied evidence acceptable to the Supreme Commander for the Allied Powers, or to some other agent or agency hereafter designated to evaluate and pass judgment on such evidence, that the

(1) immediate and useful employment of such assets is practicable, and

(2) employment of rehabilitated, repaired or reconstructed facilities can contribute, directly, to immediate relief and rehabilitation requirements of the war-devastated economy of the claimant country or, indirectly, to the relief needs of other parts of Asia devastated by Japanese armed forces;

d. that no country listed in paragraph b should receive delivery of more than 5 per cent, excepting China which may receive 15 per cent, in quantity or value of any single category of assets available as determined in paragraph a above, and authorized for transfer under the provisions of paragraph c above.

CONFIDENTIAL

2. The Supreme Commander for the Allied Powers should designate for delivery on advance transfer account such a balanced selection of plants and facilities as will not represent disproportional reduction of value or quality of over-all residual industrial capacities available for later transfer as reparations.

3. The Supreme Commander for the Allied Powers should maintain such records as necessary to enable offset for any such advance transfers to be made against ultimate fulfillment of approved and recognized over-all national reparations shares.

PART B

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 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 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 valuation to industrial facilities selected and listed under a and b. Procedures for uniform monetary valuation should be determined by SCAP. 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.

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

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.

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, a recipient country will make a commitment to accept a specific facility at the time allocation is made. SCAP should likewise agree to

CONFIDENTIAL

reserve the accepted facility for the claimant country. At such time SCAP will make an initial charge of the monetary value assigned to the facility (in accordance with 1 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 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 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) claims for whole plants and related facilities, as opposed to claims for portions thereof.

(2) claims for parts of plants or related groups of items which can be integrated with the existing industrial pattern of the claimant country.

(3) the extent to which the claimed item or items would replace property which was destroyed, damaged or looted in the war, or requires replacement because of excessive wear incident to prosecuting the war against Japan.

(4) the extent to which the claimant country depended in pre-war years on imports from Japan of the item or items (or products thereof) claimed.

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.

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 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.

CONFIDENTIAL

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.

k. 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.

l. 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.

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

n. 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 industrial facilities, except that no country not a member of the FEC shall be a member of the RTAC.

2. The provisions of paragraph 1 c and d requiring a monetary valuation for industrial facilities shall not operate to delay delivery of goods under the provisions of Part A of this directive. As soon as recognized and approved national reparations shares have been determined and announced by directive to SCAP all of the provisions of Part B of this directive will govern and provisions of Part A of this directive will be rendered inoperative.

CI-211/6RESTRICTEDCI-211/617 April 1947FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONS

REPARATIONS ALLOCATION PROCEDURES FOR INDUSTRIAL
FACILITIES IN JAPAN: PROPOSED SOVIET AMENDMENT
(References: FEC-211/3; FEC-216/1;
FEC-201)

Note by the Secretary General

The enclosure, amendments proposed by the Soviet member of Committee No. 1 to FEC-211/3, Reparations Allocations Procedures for Industrial Facilities in Japan, is circulated herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.

NELSON T. JOHNSON
Secretary General

CI-211/6

RESTRICTEDE N C L O S U R EREPARATIONS ALLOCATION PROCEDURES FOR INDUSTRIAL FACILITIES IN JAPAN: PROPOSED SOVIET AMENDMENT

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 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 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 valuation to industrial facilities selected and listed under a and b. Procedures for uniform monetary valuation should be determined by SCAP. 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.

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

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 "Deliveries of Reparations Goods in Japan" (FEC-094/3) a recipient country will make a commitment to accept a specific facility at the time allocation is made. SCAP

RESTRICTED

should likewise agree to reserve the accepted facility for the claimant country. At such time SCAP will make an initial charge of the monetary value assigned to the facility (in accordance with 1 c and d, 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 be made against the reparations account of the recipient country, taking into account, if necessary, any unforseen loss of value.

g. From these 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 are in conflict, will work out what seems to him the most reasonable allocation; taken into primary consideration the proportion account this primary consideration should be given the following four items in stated order of priority.

- (1) Claims for whole plants and plant facilities, as opposed to claims for portions thereof.
- (2) Claims for parts of plants or related groups of items which can be integrated with the existing industrial pattern of the claimant country.
- (3) the extent to which the claimed item or items would replace property which was destroyed, damaged or lost in the war, or requires replacement because of excessive wear incident to prosecuting the war against Japan.
- (4) the extent to which the claimant country depended in pre-war years on imports from Japan of the item or items (or products thereof) claimed.

Industrial facilities and equipment related to the 10 basic industries of Japan and declared by FEC decisions, as available for reparations, after their selection by the Supreme Commander for the Allied Powers, shall be subject to allocation directly by the Far Eastern Commission. All claims for such facilities should be submitted to the Far Eastern Commission. The Supreme Commander shall proceed with the carrying out of deliveries from such categories of facilities only after an appropriate decision by the Far Eastern Commission.

The Supreme Commander is however authorized to allocate facilities relating to the secondary industries on account of reparations to claimant countries in accordance with their claims, which may be submitted for such facilities directly to SCAP.

The Supreme Commander should give consideration to a fair and equitable distribution of these facilities among all claimant countries in accordance with their national shares of reparations.

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.

RESTRICTED

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

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 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 "Deliveries of Reparations Goods in Japan".

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 requests-claims-for-particular-facilities;--in-the-event-of-disagreement-between-SCAP-and-Member-nations-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; which may arise in connection with the claims for the facilities relating to the secondary industries and subject to allocation by the Supreme Commander. In the event of disagreement of the opinions of the Committee's majority and of the Supreme Commander, the Supreme Commander refers the majority's opinion to the U. S. Government, and the U. S. Government submits its recommendations for consideration of the Far Eastern Commission with the purpose of a final settlement of the conflict.

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 receiving 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. 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.

RESTRICTED

Claimant countries should be permitted to dispose of reparation goods to their own nationals, wherever domiciled and for use anywhere except Japan; to any person of nonenemy nationality for use within the recipient country; and to satisfy private claims arising out of war damage.

l. Claims for individual facilities must be filed with SCAP by a claimant country Claims for individual facilities and equipment must be submitted: on the basic facilities to the Far Eastern Commission, and on the secondary ones - to the Supreme Commander by claimant countries 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.

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. (Remainder of this paragraph becomes para. n. below).

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 m above,

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

CI-211/7RESTRICTEDCI-211/725 June 1947FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONSREPARATIONS ALLOCATIONS PROCEDURES
FOR INDUSTRIAL FACILITIES IN JAPAN
(Reference: FEC-211/3)Note by the Secretary General

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.

NELSON T. JOHNSON
Secretary General

CI-211/7

RESTRICTEDENCLOSUREREPARATIONS ALLOCATION 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 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 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 valuation to industrial facilities selected and listed under a. and b. Procedures for uniform monetary valuation should be determined by SCAP. 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.

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 Australian amendment to paragraph e.

Add at end of e. above:

A reasonable balance should be maintained among the rates at which the reparations shares of the several claimants are progressively satisfied by allocation and delivery.

RESTRICTED

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, 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 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 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 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) claims for whole plants and related facilities as opposed to claims for portions thereof.
- (2) claims for parts of plants or related groups of items which can be integrated with the existing industrial pattern of the claimant country.
- (3) the extent to which the claimed item or items would replace property which was destroyed, damaged or looted in the war, or requires replacement because of excessive wear incident to prosecuting the war against Japan.
- (4) the extent to which the claimant country depended in pre-war years on imports from Japan of the item or items (or products thereof) claimed.

Proposed Australian amendment to paragraph g.

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

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 work out what seems to him the most reasonable allocation,~~ SCAP will refer such claims to the RTAC which will, by a majority vote, determine to which country SCAP's allocation should be made, 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:

RESTRICTED

(Remainder of original paragraph g. to remain unchanged)

Proposed Canadian amendment to paragraph g.

Delete sub-paragraphs (2) and (4) and substitute the following criterion taken from Article 4(c) ii(c) of the Final Act of the Paris Conference on reparations:

"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.

RESTRICTED

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 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.

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. In the event of disagreement between SCAP and a member country concerning ~~the allocation of a particular facility-~~ other matters, 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.

RESTRICTED

Proposed Canadian amendment to j.

The second sentence of j should read as follows:

The function of this Committee should be to assist SCAP in an advisory capacity, in the selection of plants, in the development of technical and administrative procedures, etc....

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 the entire paragraph:

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.

l. 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:

l. 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.

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.

RESTRICTED

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.

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 1 c. and 1 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 1 g. and the provisions of that part of paragraph 1 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.

CI-237RESTRICTEDCI-23716 June 1947FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONSREPARATIONS FROM JAPANESE MERCHANT SHIPPING:
U. S. PROPOSAL ON DIVISION OF SHARESNote by the Secretary General

The enclosure, a United States policy proposal relative to the distribution of merchant ships of Japanese registry declared available for reparations, submitted by the U. S. member of Committee No. 1, is circulated herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.

NELSON T. JOHNSON
Secretary General

CI-237

RESTRICTEDE N C L O S U R EREPARATIONS FROM JAPANESE SHIPPING:
UNITED STATES PROPOSAL ON DIVISION OF SHARES

Merchant ships of Japanese registry declared available for reparations will be distributed among reparations recipient countries in proportion to proven losses of merchant shipping incurred during their respective periods of belligerency in the war against Japan and as a result of participation in action against Japan up to and no more than the total value of such losses.

Cl-237

MI-125RESTRICTEDMI-12523 June 1947FAR EASTERN COMMISSIONMEMORANDUM FOR INFORMATION NO. 125INFORMATION ON REPARATIONS ALLOCATIONS PROCEDURES
FOR INDUSTRIAL FACILITIES WITHIN JAPANNote by the Secretary General

1. The enclosure, an article from the Nippon Times of 4 June 1947 on the procedures to be followed by the Supreme Commander for the Allied Powers in allocating items to claimant countries from industrial facilities in Japan made available for reparations, is circulated herewith for the information of the Far Eastern Commission.

2. The particular attention of COMMITTEE NO. 1: REPARATIONS is invited to the enclosure.

NELSON T. JOHNSON
Secretary General

MI-125

RESTRICTEDE N C L O S U R EINFORMATION ON REPARATIONS ALLOCATIONS PROCEDURES
FOR INDUSTRIAL FACILITIES WITHIN JAPAN

To facilitate the allocation of reparations among claimant nations, all of Japan's reparations assets have been divided into two major categories - "integrated facilities" which will be shipped out as complete plant units and "pooled items" which will be distributed among Allied nations as individual pieces of equipment.

This became known June 2 when a SCAP pamphlet summarizing reparations procedures was distributed among representatives of the 11 Allied reparations delegations at the first meeting of the newly created Reparations Technical Advisory Committee (RTAC) in the Kokubu Building.

The booklet, entitled "Industrial Reparations Program: Outline of Functions and Procedures", defines pooled items as machine tools, metal working machinery and other pieces of general industrial equipment located in former aircraft plants, arsenals and privately-owned munitions plants. These items will be allocated as machines, not as plant aggregates, the outline explains.

Integrated facilities are defined as other categories of Japanese industry, such as iron and steel, machine tool and caustic soda plants, which will be allocated as complete plant units as far as possible.

Inventories Underway

Inventories are being made in both categories, the summary states. Inventory of pooled items has been largely completed by Japanese plant personnel under supervision of the Eighth Army, and reports identifying each machine as to type, size, condition, type of power drive, manufacturer, country and date of manufacture are being made available to the various reparations groups.

Inventory of integrated facilities will attempt to identify and analyze their important construction and operating characteristics, resume states. Catalogues based on these inventories will be distributed to all reparations delegations as guides for the preliminary selection of plants in which they might be interested.

Brig. Gen. W. K. Harrison Jr., Chief of SCAP's Reparations Section who presided at the meeting as committee chairman, emphasized that SCAP does not have the facilities to provide reports on every individual item of equipment in such plants.

General Harrison advised delegations always to check catalogue material by inspecting the equipment in the field, since conditions of plants and machines vary from month to month.

According to the outline distributed June 2, plants and pooled items will be evaluated by committees selected by the Japanese Government, with the approval of SCAP, to establish relative values among diverse types of reparations equipment as a means of insuring equitable allocation.

RESTRICTED

Values in both categories are converted into terms of 1939 yen using the index and table of conversion prepared by the Bank of Japan and the Japanese Government's Bureau of Statistics. Adjustments are made for depreciation, war damage and other factors affecting value.

Data Checked for Validity

All methods and materials used by the bureau in establishing values and preparing indices have been referred to SCAP for review and approval, the outline emphasizes. Checks, including the evaluation of a pilot model plant in each industry, have been made to insure the validity of the data submitted. Selected plants in each industry are inspected on a sufficiently broad basis to provide a reliable independent check on values submitted, the outline asserts.

Physical inspections of reparations assets prior to the submission of claims is feasible only in the case of integrated facilities, the report points out, since pooled items are too numerous and too scattered.

Procedure for Filing Claims

Claims for assets in the two categories will be submitted on separate forms and will be accompanied by a statement of the shipping dates desired by the claimant nations. In the case of integrated plants, additional information will be required on the projects for which the facilities are intended at their destinations.

Submittal of claims will be requested within a specified time after the issuance of reparations catalogues. General Harrison assured delegates that no allocations of integrated plants will be made until all the eligible claimant delegations have had an opportunity to inspect the equipment.

When assets have been allocated to a claimant nation, SCAP will issue an allocation notice. General Harrison explained that if any nation objected to a particular allocation, its reparations delegation chief will be entitled to present his views at a meeting of RTAC. The views of the committee will be fully considered by SCAP before a final allocation is made.

As soon as a plant is formally allocated, the Japanese Government will be directed to take title from the owner. It then will be owner of the equipment until it is loaded aboard the claimant nation's ship, the outline relates, and the Japanese Government will be responsible to SCAP for the dismantling, packaging, crating and moving operations.

Claimants to Assist in Removal

A representative of the claimant nation will assist in removal by determining minor or auxiliary pieces of equipment to be transferred, specifying engineering data essential to the re-erection processes, and in general appraising the processing.

The Allied representative may present complaints concerning the processing to appropriate Eighth Army and SCAP authorities and may request cessation of operations during investigation of the situation, according to the outline.

RESTRICTED

Transfer of title will take place immediately after the claimed assets have been stowed aboard ship. The reparations delegation will have the final task of presenting SCAP with a certificate of the transferral of equipment.

Chiefs and other members of reparations delegations who attended the meeting included:

Australia - Col. Sydney R. Abbott, Chief, and Herber Le Cheminant; Canada - John W. Kenderdine, Chief, China - Z. F. Wang; USSR - L. Z. Razin; India - Dr. L. C. Jain, Chief; United States - R. Burr Smith, Chief; France - Robert Y. Ducrest, Chief, and Maj. Gen. Gaston Dolle; the Netherlands - M. G. Mout, Chief, and Cmdr. Arie Maas; New Zealand - R. L. G. Challis, Chief; Philippine Islands - Bernardo P. Abrera, Chief; and United Kingdom - A. A. S. Shearer, Chief, and Cooper Blythe. J. M. Meiklejohn, Deputy Chief of the Reparations Section, assisted General Harrison in conducting the meeting.

MI-125/1RESTRICTEDMI-125/126 June 1947FAR EASTERN COMMISSIONMEMORANDUM FOR INFORMATION NO. 125/1REPARATIONS ALLOCATIONS PROCEDURE FOR INDUSTRIAL
FACILITIES IN JAPAN: SCAP OUTLINE OF
FUNCTIONS AND PROCEDURESNote by the Secretary General

1. The enclosure, a reproduction of a brochure from General Headquarters, Supreme Commander for the Allied Powers, containing an outline of the functions and procedures to be followed by the Supreme Commander in the industrial reparations program in Japan, has been received by the Secretariat and is circulated herewith for the information and consideration of COMMITTEE NO. 1: REPARATIONS.

2. This brochure was distributed by the Supreme Commander for the Allied Powers to the Reparations and Restitution Delegates of the Far Eastern Commission nations at the first meeting of the Reparations Technical Advisory Committee (RTAC) on 2 June 1947.

NELSON T. JOHNSON
Secretary General

MI-125/1

RESTRICTEDE N C L O S U R EREPARATIONS ALLOCATIONS PROCEDURE FOR INDUSTRIAL
FACILITIES IN JAPAN: SCAP OUTLINE OF
FUNCTIONS AND PROCEDURESFUNCTIONS

1. Reparations responsibilities of the Supreme Commander, apart from those concerned primarily with the formulation and interpretation of basic policy, may be divided into four major functions:

a. Selection of Assets. It is the function of the Supreme Commander to designate those specific assets, the disposition of which will execute established policy.

b. Analysis of Assets. In order to facilitate distribution and disposition of reparations assets, it is necessary to inventory, classify, catalog, and evaluate all industrial reparations assets.

c. Distribution of Assets. Under this function fall arrangements for the physical inspection of, the receipt of claims for, and the allocation of, specific assets.

d. Delivery of Assets. This covers the preparation of assets for physical movement and the transfer from site to shipboard.

PROCEDURES

2. The following outline is a brief presentation of the methods and procedures whereby the functions of the Supreme Commander for the Allied Powers subsequent to the selection and designation of industrial reparations assets will be accomplished.

"Integrated Facilities" vs "Pooled Items".

3. In many operational procedures a distinction will be drawn between "integrated facilities" and "pooled items". "Pooled items" are machine tools, metalworking machinery, and other items of general industrial equipment located in former aircraft plants, arsenals, and privately-owned munitions plants. They will be allocated as machines not as plant aggregates. "Integrated facilities" are the other categories of industry, such as iron and steel plants, machine tool plants, caustic soda plants and so on, which will to the greatest extent possible be allocated and handled as plant units.

Inventory of Pooled Items.

4. Inventory of pooled items for the interim program has been largely accomplished. In brief, the procedure involves completion of a form "Inventory Sheet (Metalworking Plants)" for each item of equipment and marking each item, the work being done by Japanese plant personnel under Eighth Army military government direction. Each item is identified by a 3-section number painted on it, indicating (1) prefecture, (2) plant within prefecture, and (3) machine within plant. It is reported by this same number. The inventory reports identify each machine as to type, size, condition, type of

RESTRICTED

power drive, manufacturer, and country and date of manufacture. Nomenclature as to type is based on the U. S. Standard Commodity Classification in order to obtain uniform terminology and classification.

5. It is anticipated that a similar procedure will be followed in such future reparations operations as involve disposition of assets as individual items rather than plant aggregates.

Inventory of Integrated Facilities.

6. Inventory of integrated facilities is accomplished by various qualified personnel of the Supreme Commander's staff, who require pertinent basic data to be submitted by the Japanese Government and plant owners, and who conduct inspections to verify the accuracy of the data submitted. Specific data gathered differ for each industry, but in general major items of non-portable equipment which are potentially removable are identified and analyzed as to their important construction and operating characteristics. Data required for cataloging purposes are then transcribed to plant data sheets, designed for each industry, to form the basis of the industry catalog. Each major plant item is identified by code numbers indicating class and type of equipment, and machine number.

Cataloging of Pooled Items.

7. To present a catalog of metalworking and related equipment, the Inventory Sheets are coded and the data transferred to IBM cards. Statistical summaries of the data constitute the catalog of pooled items. These data are intended to form the basis of selection without physical inspection by each claimant nation. Reliance for selection of specific machines in substantial accord with claims made rests with the operating and field echelons of the occupation forces.

Cataloging of Integrated Facilities.

8. Catalogs for the plants to be made available as whole units will be simply an aggregation of plant data sheets for each industry, compiled as described above, together with a covering brief analytical statement. These catalogs will present significant engineering data designed to supply engineers of the several claimant nations with general information which will serve as a guide in the preliminary selection of plants considered suitable for reparations claims. Conversely, they will also permit the elimination of plants that are of no interest to the claimant nation.

Distribution of Catalogs.

9. Sufficient copies of catalogs will be reproduced to permit distribution in appropriate quantities to the mission of each claimant nation, to the Far Eastern Commission, and to interested agencies of the U. S. Government.

Evaluation.

10. Evaluation of plant equipment has importance solely as an aid to equitable allocations. The aim of evaluation is to provide comparable valuations for diverse types of equipment. To accomplish this, all values 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. From these valuations, reparations

RESTRICTED

totals may be compiled against which distribution shares of the claimant nations may be applied. Accounting records of quotas, allocations deliveries, and unexpended quotas will be kept in terms of such valuations. For the purpose to be served, approximate values are deemed adequate, the greatest share of actual work being done by Japanese personnel working under allied supervision and review.

Evaluation of Pooled Items.

11. The problem of assigning values to "pooled items" has been referred to a committee selected by the Japanese Government and approved by representatives of the Supreme Commander. These values are expressed in terms of 1939 yen using an index and conversion factor prepared by the Bank of Japan and the Bureau of Statistics of the Japanese Government. The index, referred to above, will enable these values to be converted to any base year that is later selected. The committee has been given a set of equipment classification categories, duplicating the inventory classifications, to which yen values are to be assigned.

12. All methods, materials and formulas used in establishing values and preparing the index have been referred to the Supreme Commander by the committee for review and approval. Checks to assure the validity of data submitted have been undertaken.

Evaluation of Integrated Facilities.

13. In each of these industries the plants are being evaluated by a Japanese committee selected by the Japanese Government, using methods which have been coordinated with those of the committee evaluating pooled items. Values assigned to major items of equipment are converted to a common base year, 1939. Adjustments are made for depreciation, war damage and other factors affecting value. Prior to evaluating the plants in an industry, a representative plant which furnishes a diversity of machinery and equipment was selected to serve as a "Pilot Model". The pilot model plant was evaluated by the committee and the report submitted to members of the Supreme Commander's staff for review and study. The plant in question was visited by competent staff personnel and the report compared to conditions found in the plant. The committee was then given necessary instructions for remedying defects found in the report submitted for the Pilot Model and instructed to proceed to evaluate the industry on the approved basis. The committees make an inspection of each plant in their respective industries to make certain that adjustments are made which accurately reflect the condition and relative values of the equipment.

14. Supporting data are furnished by each committee showing, for both preliminary studies and final reports, methods employed, sources from which data are derived, basic data for representative samples and such other information as may be necessary to determine the validity and uniformity of values submitted.

Verification of Japanese Valuations.

15. In addition to the control exercised over the evaluation processes, as described above, the Supreme Commander's staff reviews and verifies by all necessary methods the data submitted. Selected plants in each industry are inspected on

RESTRICTED

a sufficiently broad basis to provide a reliable independent check on values submitted.

Representation of Claimant Nations.

16. Each claimant nation has been invited to establish separately or within its regular mission or similar establishment in Tokyo, a permanent Reparations and Restitution Delegation to function under the Supreme Commander's executive authority and operational control. These Reparations and Restitution Delegations are expected to be authorized to act on all routine matters pertaining to reparations and restitution. In size, they may not exceed 5 members who are to be appointed on as permanent a basis as possible.

17. Technical assistance may be furnished the delegations by their respective missions or similar agencies in Japan. In the case of the United States and the Philippine Delegations, which have no mission or similar agency in Japan, each delegation is allowed a total of 20 technical and clerical assistants in addition to the 5 man delegation. Technical assistants may be utilized to inspect those industrial plants which the delegation may wish to claim and as consulting engineers throughout the dismantling and delivery stages.

Reparations Technical Advisory Committee.

18. A Reparations Technical Advisory Committee (RTAC) will assist the Supreme Commander, in an advisory capacity, in assuring orderly and equitable allocations and removal of reparations facilities. It will be composed of the heads of each of the previously described Reparations and Restitution Delegations and will be chaired by a representative of the Supreme Commander. Further details concerning the functioning of this committee will be set forth in other communications.

The Pre-Claim Inspection.

19. Physical inspection prior to the submittal of claims is deemed feasible and necessary only in the case of integrated facilities; pooled items are too numerous and too scattered to permit such a procedure. These pre-claim inspections are designed to supplement the reparations catalogs and to give full information regarding the relatively few plants which a single nation may be interested in claiming. On the basis of such inspection the claimant nation will be expected to specify which plants or portions thereof it desires to claim and to designate alternate choices for use in cases where conflicting claims make allocation of the first choice impossible.

20. Catalogs of integrated facilities, described previously, will be supplied the claimant nations. Review of each catalog will provide the basis for selecting the facilities to be inspected in that particular industrial category.

21. The form "Application for Pre-Claim Inspection of Reparations Facilities" will accompany each distribution of catalogs to claimant nations. Each claimant nation is requested to specify thereon to the Supreme Commander the plants in a given industrial category which it wishes to inspect, and the Inspection Team it is designating to make the inspections. This application will be used to schedule field trips for the inspection groups. More detailed instructions will accompany the distribution of certain catalogs.

RESTRICTED

22. As a further aid to the pre-claim inspection, and for later uses, a check list, identifying each major piece of equipment by code number, will be prepared for each plant where appropriate. In such cases, during or after each inspection, the Inspection Team will indicate on this form those pieces of equipment it plans to transfer if the plant is allocated to the nation they represent. This will be submitted later for those plants the nation may wish to claim and will serve, subsequent to allocation, as the basis for estimating the time and materials required for dismantling and moving.

Claims Procedure.

23. Claims for integrated facilities and for pooled items will be submitted on separate forms but each will serve to identify the assets claimed and will be accompanied by a transmittal statement giving claimants' desired shipping dates. In the case of integrated facilities additional data of an economic nature will be requested in order to provide information on the projects at destination for which claimed facilities are intended. The submittal of claims will be requested within specified time periods after the issue of reparations catalogs.

Allocation Notices.

24. The Supreme Commander for the Allied Powers will formalize the allocation of assets to a claimant nation by issuance of an allocation notice. This form will appropriately identify the allocated assets and will request the immediate designation of the Consulting Engineer for each integrated facility, to represent the claimant nation at the plant site during the dismantling and delivery operation. The form will also advise the claimant nation as to the acceptability of the shipping schedule submitted with the claim. Where pooled items are involved a Consulting Engineer will not be requested.

25. After allocation, the Supreme Commander will also advise the Eighth Army, and through it, the Military Government team in the area concerned and the Japanese Government, each of which will then be on advance notice of its responsibilities during the dismantling and shipping phases of the operation.

Dismantling and Delivery of Allocated Facilities.

26. Upon formal allocation of a plant, the Japanese Government will be directed to take title from the owner, if the plant is a private installation. From this time until the equipment is loaded aboard claimant nation's ship at the port, the Japanese Government will be the owner. It will be responsible to the Supreme Commander for the actual dismantling, packaging, crating, and moving operations, as well as the materials necessary for this, and guarding in movement, under the direction of Eighth Army and the appropriate Military Government team.

27. During this period a representative of the claimant nation will assist by determining minor or auxiliary pieces of equipment to be transferred, in specifying engineering data essential to the re-erection processes, and in appraising the dismantling, packing and other preparatory processes. He will not be vested with any operating authority, but if, in his judgement, operations are not being conducted satisfactorily, he may, through appropriate channels, request cessation of

RESTRICTED

operations during investigation of the cause of dissatisfaction.

28. Transfer of title will take place immediately after the claimed assets have been stowed on shipboard. It will be the final duty of the Reparations Delegation to provide the Supreme Commander with an accompanying certificate stating the completeness and condition of packages that have been delivered on shipboard.

C1-211/8RESTRICTEDC1-211/827 June 1947FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONSREPARATIONS ALLOCATIONS PROCEDURES
FOR INDUSTRIAL FACILITIES IN JAPAN(References: FEC-211/3,
C1-211/6, /7)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 and C1-211/7.
3. Paragraph *f was adopted by the Committee at its 108th 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, and the lettering of the remaining paragraphs will be altered accordingly.

NELSON T. JOHNSON
Secretary General

C1-211/8

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 provisions of directives to SCAP 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 deter-
mined by the Far Eastern Commission.

b. SCAP should be responsible for preparing 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 valuation to industrial facilities selected and listed under a. and b. Procedures for uniform monetary valuation should be determined by SCAP. 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.

Add the following to paragraph d.

When inspecting the facilities on the spot,
the representative of a claimant country may re-
quest for a presentation to him of the materials

RESTRICTED

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, 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 make an initial charge of the monetary value assigned to the facility (in accordance with 1 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 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 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) claims for whole plants and related facilities as opposed to claims for portions thereof.

Proposed U. K. addition to (1) above:

due regard being given to claims of countries having only small shares.

RESTRICTED

(2) claims for parts of plants or related groups of items which can be integrated with the existing industrial pattern of the claimant country.

(3) the extent to which the claimed item or items would replace property which was destroyed, damaged or looted in the war, or requires replacement because of excessive wear incident to prosecuting the war against Japan.

(4) the extent to which the claimant country depended in pre-war years on imports from Japan of the item or items (or products thereof) claimed.

Proposed Australian amendment to paragraph g.

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

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-work-out-what-seems-to-him the-most-reasonable-allocation, SCAP will refer such claims to the RTAC which will, by a majority vote, determine to which country SCAP's allocation should be made, 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:

(Remainder of this paragraph to be in accordance with the Canadian amendment below.)

Proposed Canadian amendment to paragraph g.

Delete sub-paragraphs (2) and (4) and substitute the following criterion taken from Article 4 (c) ii (c) of the Final Act of the Paris Conference on reparations:

"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.

RESTRICTED

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 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.

i. 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.

RESTRICTEDProposed 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. In the event of disagreement between SCAP and a member country concerning ~~the allocation of a particular facility~~ other matters, 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 Canadian amendment to j.The second sentence of j should read as follows:

The function of this Committee should be to assist SCAP in an advisory capacity, in the selection of plants, in the development of technical and administrative procedures, etc....

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

RESTRICTED

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.

l. 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:

l. 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.

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.

RESTRICTED

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 1 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 1 g. and the provisions of that part of paragraph 1 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

C1-211/3FEC-RESTRICTEDC1-211/915 July 1947PAC EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONSREPARATIONS ALLOCATIONS PROCEDURES FOR INDUSTRIAL FACILITIES IN JAPAN(References: FEC-211/3, C1-211/6, /7, /8)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 and /8.

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, and 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

C1-211/9

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 ~~provisions 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.

FEC-RESTRICTED

Add the following to paragraph d.

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 amendment 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

FEC-RESTRICTED

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

Proposed U. K. addition to (1) above.

due regard being given to claims of countries having only small shares.

(2) claims for parts of plants or related groups of items which can be integrated with the existing industrial pattern of the claimant country.

(3) the extent to which the claimed item or items would replace property which was destroyed, damaged or looted in the war, or requires replacement because of excessive wear incident to prosecuting the war against Japan.

(4) the extent to which the claimant country depended in pre-war years on imports from Japan of the item or items (or products thereof) claimed.

Proposed Australian amendment to paragraph g.

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

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, SCAP will work out what seems to him the most reasonable allocation.~~ SCAP will refer such claims to the RTAG which will, by a majority vote, determine to which country SCAP's allocation should be made, 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:

(Remainder of this paragraph to be in accordance with the Canadian amendment below.)

Proposed Canadian amendment to paragraph g.

Delete sub-paragraphs (2) and (4) and substitute the following criterion taken from Article 4 (c) ii (c) of the Final Act of the Paris Conference on reparations:

FEC-RESTRICTED

"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 specific 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.

#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

FEC-RESTRICTED

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-C94/4 (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).

u. 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 amendment to paragraph 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.