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CONFIDENTIALCOPY. NO. 142CI-00130 March 1946FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONSINTERIM REPARATIONS REMOVAL PROGRAM FOR JAPANNote by the Secretary General

The enclosure, an informal draft by the U. S. member of COMMITTEE NO. 1: REPARATIONS on the subject of an Interim Reparations Removal Program for Japan, is circulated for the consideration of COMMITTEE NO. 1.

NELSON T. JOHNSON
Secretary General

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ENCLOSURE

DRAFT PROPOSALS CONCERNING AN
INTERIM REPARATIONS REMOVAL PROGRAM FOR JAPAN

1. The following draft proposals with respect to an Interim Program of Reparations Removals from Japan are presented informally to the Reparations Committee of the Far Eastern Commission by the United States member as a basis for preliminary study and discussion. At present these proposals are not to be regarded as a formal presentation of United States recommendations, which will be made in due course through the United States member of the Far Eastern Commission.

2. No parts of this document should be made available for public release.

CONCLUSIONS

1. The action specified below should be taken with respect to facilities identified in the ten listed categories of Japanese industry. Such action, under the Reparations Removal Program, should be taken without prejudice against further removals that may be ordered under a final reparations program.

a. Machine Tool Industry

(Definition: "Plants and establishments primarily engaged in the manufacture of non-portable, power-driven machines designed to shape metal by the progressive cutting away of stock in the form of chips or shavings, or by abrasive action.")

(1) That portion of Japan's capacity for the production of machine tools that is in excess of a balanced type-size aggregate of 27,000 units annually, should be made available for claim.

b. Army and Navy Arsenals.

(Definition: "Plants and establishments owned and operated by the Japanese Army or Navy engaged in the development, production, maintenance, testing or storage of equipment or supplies for use in war or warlike purposes. (Arsenal as defined herein embraces a broad category of facilities distinguished by their ownership rather than by the nature of the operation and departs from the more usual connotation of ordnance manufacture.) .")

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(1) All facilities within this category should be made available for claim, subject to the following limitations:

(a) Special Purpose Machinery and Equipment.

All machinery, equipment and accessories which by virtue of initial design, construction or major structural change are, as individual items, special purpose in nature and functionally limited to use in connection with equipment or supplies for war or warlike purposes, should be held pending further instructions concerning their disposition.

(b) Shipyards.

Shipbuilding and ship repair facilities should be disposed of in accordance with the recommendations contained in paragraph e.

(c) Non-armament Facilities.

Those facilities which have been engaged in the production of military supplies essentially similar in character to such consumer goods as textiles, clothing, processed foods and pharmaceuticals, should be left for disposal under the final reparations program, and not be made available for claim under the Interim Program.

(Note: Privately-owned facilities that would fall in this category except for the ownership qualifications will be treated in a separate paper.)

c. Aircraft Industry.

(Definition: "Plants and establishments primarily engaged in the manufacture or assembly of finished aircraft, airframes, aircraft engines, and aircraft propellers, or in supplying fabricated materials, semi-finished or finished parts, components, or accessories, (exclusive of arms and armaments, instruments and communication equipment) especially designed for incorporation in finished aircraft.")

(1) All facilities in plants and establishments originally designed, constructed and equipped, or converted through major change in the nature of installed machinery and equipment to serve in this category should be made available for claim.

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(2) Plants and establishments within this category, other than those covered in (1) above, the use of whose products by the aircraft industry, represents merely a diversion without major change in character of product from peacetime civil consumption, or in the nature of installed machinery and equipment, should not be made available for claim pending Allied decision as to the final disposition of the industry with which they are normally associated.

d. Ball and Roller Bearing Industry.

(Definition: "Plants and establishments primarily engaged in the manufacture or assembly of complete ball and roller bearings, or their major component parts, namely, balls, rollers, races, and cages.")

(1) That portion of Japan's capacity for the production of ball and roller bearings that is in excess of 32.5 million yen (based on 1943-1944 average prices) per year, should be made available for claim. Facilities selected for removal should include all plants and establishments whose products are specifically adapted to use in aircraft or other war material.

e. Shipbuilding Industry.

(Definition: "Shipyards, including all facilities, plants, and establishments located within their confines, primarily engaged in the building, repair, or maintenance of steel ships over 100 gross tons.") The term 'merchant shipping' when used in this report should be construed to include steel cargo and passenger vessels and tankers over 100 gross tons.

(1) All facilities located in naval shipyards whether publicly or privately owned, that were originally organized or were converted through major change in the original structure or in the size and volume of installed machinery and equipment to build, service, or repair naval combat vessels or specialized naval auxiliary ships should be made available for claim under the Interim Reparations Removal Program subject to the following limitations:

(a) Special Purpose Structures, Machinery, and Equipment.

All structures, machinery, equipment and accessories which by virtue of initial design, construction, or major structural change are, as individual items special purpose in nature and functionally limited to use for purposes of an exclusively military nature, should be held pending further instructions concerning their disposition.

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(b) No facilities should be made available pending certification by the SCAP that they are not necessary for purposes of the occupation.

(2) That portion of Japan's shipbuilding capacity, located in shipyards other than those covered in (1) above, in excess of that necessary to build 150,000 gross tons of merchant shipping annually and to service and repair a merchant fleet aggregating 3.0 million gross tons, should be made available for claim subject to the following limitations:

(a) No facilities should be made available for claim until such time as Japan's merchant fleet is restored to a level which, in the judgment of SCAP, is sufficient to meet the needs of the occupation and Japan's immediate merchant vessel requirements.

(b) Two 20,000 ton drydocks should be retained for purposes of servicing foreign ships touching at Japanese ports.

f. Iron and Steel Industry.

(Definition: "Plants and establishments primarily engaged in the production of pig iron or steel ingot.")

(1) That portion of Japan's capacity for the production of steel ingot that is in excess of 3.25 million metric tons annually should be made available for claim.

(2) That portion of Japan's capacity for the production of pig iron that is in excess of 1.75 million metric tons annually should be made available for claim.

g. Light Metals Industry.

(Definition: "Plants and establishments primarily engaged in the production of alumina, primary or secondary aluminum and magnesium and in the rolling and drawing of aluminum and magnesium and their alloys.")

(1) All facilities identified within this category should be made available for claim, subject to the following limitations:

(a) No facilities engaged in smelting light metal scrap into secondary ingot should be made available for claim.

(b) In cement plants converted to produce alumina from clays or shales, only the equipment introduced to effect such conversion should be made available for claim.

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(Definition: "Plants and establishments primarily engaged in the production of electric energy through the use of fuel (coal) as the basic energy source.")

(1) That portion of Japan's installed thermal electric generating capacity that is in excess of 2.1 million kw, should be made available for claim.

i. Sulphuric Acid Industry.

(Definition: "Plants and establishments primarily engaged in the production of sulphuric acid.")

(1) That portion of Japan's capacity for the production of sulphuric acid that is in excess of 3.5 million metric tons annually, should be made available for claim. All facilities made available for claim should be of the contact process type, as distinguished from the lead chamber type, but should not include any contact plants, when they are serving as integral functional units in:

(a) a non-ferrous metal smelting plant;

(b) a fertilizer manufacturing establishment in which the contact process plant is not supported by a lead chamber plant of at least equivalent capacity.

j. Soda Ash, Chlorine, and Caustic Soda Industry.

(Definition: "Plants and establishments primarily engaged in the production of soda ash (sodium carbonate), chlorine, and caustic soda (sodium hydroxide).")

(1) That portion of Japan's capacity for the production of chlorine and caustic soda in electrolytic plants which is in excess of about 60,000 metric tons of chlorine and about 66,000 metric tons of caustic soda, should be made available for claim.

(2) That portion of Japan's capacity for the production of soda ash that is in excess of 500,000 metric tons, should be made available for claim. Removal of this excess soda ash capacity should be accomplished by seizure of one large modern soda ash plant, together with its integrated facilities for conversion of soda ash to caustic soda.

k. Preference for Zaibatsu Facilities.

(1) Among the criteria to be employed in the selection of individual plants and items of equipment for removal should be the principle of reinforcing the occupation objective of destroying Zaibatsu wealth and influence.

DISCUSSION

1. The Interim Reparations Removal Program proposed herewith is presented as an initial step in the elimination of Japan's war-making potential through a selective reduction in her industrial productive capacity and the use of appropriate released machinery and equipment for purposes of reparations.

2. In accordance with the recommendations of Ambassador Edwin S. Pauley submitted to the United States Government, these proposals for an interim program of removals are confined to ten industrial categories which are basic to Japan's war economy. In each of these categories Japan now possesses productive capacity far in excess of her peacetime needs. The Physical transfer of such excess facilities to countries entitled to reparations from Japan should prove beneficial to these countries, while not removing from Japan what may be determined to be the minimum requirements of a viable economy.

3. Inter-Allied agreement with respect to a final reparations program is expected to require prolonged study and negotiation. In view of conditions in Japan today, as well as the needs of potential reparations claimants, it is desirable to initiate the process of industrial removals on reparations account with a minimum of delay. The device of an interim program is proposed as a means of achieving this end, and is recommended for adoption without prejudice to the question of additional removals under a final reparations program.

4. In order to facilitate agreement making possible early initiation of such industrial removals, the interim program is confined to the removal of "obvious excess" capacity in the industries in question, in the hope of minimizing controversial issues which may arise in connection with a final determination of the volume and character of reparations transfers and the level of industrial capacity to be left Japan. Such removals are proposed by the United States Government with the understanding that they should in no sense be considered as final either in nature or degree.

5. "Obvious excess" capacity, in this sense, should be understood to mean existing industrial capacity which is clearly surplus to Japan's immediate post-war civilian requirements. At what level such requirements are ultimately to be provided for in terms of industrial capacity to be left Japan is a bill to be determined in accordance with final reparations and disarmament policies. Pending such determination, and for purposes of the proposed interim reparations program, these requirements are estimated

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in this paper on the liberal side, within limits dictated by Japan's position as a defeated and economically disorganized nation. In this sense, all estimates establish upper-limit, or "maximized", requirement levels, based on rough evidence of civilian consumption in the period of the early thirties with adjustments for population growth and other factors. It should be understood, in short, that they express Japanese requirements only as interpreted for the purposes of the interim program. Like the estimates of "obvious excess" capacity recommended for removal, they are not to be regarded as embodying United States views with respect to the final level of industrial capacity to be retained in Japan.

7. Data on which the conclusions presented in this paper are based are given below for each of the ten industrial categories. These should be read in the light of the foregoing statement of considerations entering into the selection of these data for purposes of this program.

8. Machine Tool Industry

a. Japan increased her capacity for the production of machine tools enormously to support her war effort. Peak production measured numerically occurred in 1938 and 1939 but in terms of monetary value production continued to rise each year through 1944. A part of this latter increase may be accounted for by a general decline in the purchasing power of the yen, but a substantial portion of it can be attributed to the fact that heavier and better quality tools with a higher unit value were produced in that period. The shift in type of product can be accounted for in part by the fact that before the war Japan had been dependent on imports for her supply of the more complex and high precision tools. Since Japanese trade balances during the post-war period will operate to discourage such imports, it seems advisable to use production data during the 1940's as a measure of capacity rather than the numerical peak period of the late 1930's. On this basis, Japan's present annual capacity for the production of machine tools is estimated to be between 50,000 and 60,000 units valued at about 700,000,000 yen. In terms of both units and yen value, this capacity is far in excess of any needs ever manifested in her pre-war peacetime economy.

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b. Japanese data, adjusted for some obvious discrepancies, on tool consumption for the period 1933 through 1936, provides a rough measure of Japan's pre-war tool requirements. During this period, home production and imports aggregated slightly more than 82,000 machine tools, an average per year of approximately 20,000 units as compared with a reported 54,000 units produced in 1944.

c. Three factors indicate the advisability of providing a margin of safety, pending further study, post-war requirements over those based on consumption for 1933-1936.

(1) The 1933-1936 figure is an estimate and further may represent a demand influenced by special factors not considered herein.

(2) Changes in the technology of metal working and in the nature of metal products manufactured will have occurred since 1933-1936, and will combine to exert an unpredictable influence on the demand for machine tools in the post-war period.

(3) Allied decision, still to be made, on the disposition of other segments of Japan's metal working industry, will influence the size and nature of the demand for machine tools.

d. Retention of facilities for the production of about 27,000 machine tools per annum should provide ample productive capacity, with a margin of safety, to meet any legitimate needs in the immediate future. The balance of Japan's existing facilities, constituting about one half of her present capacity, represents "obvious excess" and should be made available for claims under the Interim Reparations Program.

8. Arsenals - Army and Navy

a. Japanese arsenals, organized exclusively for purposes of war, have contributed nothing tangible to the support of the civilian economy in the past and for the most part have no place in the post-war economy envisioned for Japan. It is to be expected that facilities located in these arsenals will include the most modern and best maintained metal working machinery and equipment in Japan. As such they should be particularly suitable for purposes of reparations. It is believed that all such facilities should be made available for claim, subject to the following limitations:

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(1) Among the facilities associated with these arsenals will be some individual items of machinery and equipment so specialized in purpose as to be functionally limited to use in connection with equipment or supplies of an exclusively military nature. Decision as to the disposition of such items is beyond the scope of this Interim Reparations Removal Program. Such items, it is felt, should not be made available for reparations pending decision by properly constituted authorities.

(2) Japan's immediate shipping shortage is recognized as being serious. It is felt that some portion of arsenal shipyards may have to be employed in ship construction or repair to meet the present deficit. In the light of these considerations, a section of this report devoted to "shipbuilding" sets forth recommendations for the disposition of arsenal (Navy) shipyards.

(3) A small portion of the arsenal facilities have been engaged in the production of military supplies essentially similar in character to such civilian consumer goods as textiles, clothing, processed food, and pharmaceuticals. There is evidence that during the war a three-way competition between Army, Navy and civilian producers for raw materials and labor led the Armed Forces to increase arsenal production of these goods. This increase was accomplished in part, at least, by the confiscation or buying up of existing civilian facilities and is reflected in a reduced civilian industry productive capacity. Consideration of the immediate civilian needs for goods of these kinds, leads to the conclusion that such facilities, should be left for disposal under the final reparations program and not be made available for claim at present.

b. The complexity of organization and diversity of war production and service demands met by the arsenals makes it impossible, in the absence of comprehensive data, to estimate the exact nature and volume of facilities associated with them. However, current information indicates that between 50,000 and 60,000 machine tools, and an indeterminate amount of other machinery and equipment of potential value to claimants in support of their civilian industry will be made available. Among the latter group will be secondary metal working machinery, such as forges, presses and hammers; wood working machinery; metallurgical equipment for production of special alloys; and some chemical equipment, located principally in explosive plants. There will also be some general purpose equipment related to communications, transportation, materials handling, and electric power generation.

CONFIDENTIAL9. Aircraft Industry. (including engine manufacture)

a. The Japanese, over the past decade, have built up a sizable aircraft manufacturing industry. In so doing, many plants and great aggregates of machinery and equipment have been built and assembled which, superimposed on the Japanese peacetime capital structure, have little or no current value if U.S. policy denying Japan the right to manufacture or operate aircraft remains in force.

b. Because of difficulties inherent in defining this industry, and looseness in Japanese statistics, no determination can be made as to the exact volume of facilities indentified with it. Of such facilities machine tools, because of their numerical preponderance, mobility, and potential usage for peacetime purposes by legitimate claimant nations appear to be the most significant. A rough approximation of their numbers can be made by adjusting available Japanese data in the light of U. S. aircraft production practice, and observations of various Americans who have examined some of the Japanese facilities subsequent to the termination of hostilities.

c. The total number of tools currently identified with the industry on such a basis appears to be about 120,000. It is realized that some of these tools, although associated specifically with the aircraft industry during the war period, were diverted from legitimate prewar peacetime activity, and as such may be necessary to support the post-war economy. With this in mind, the facilities of the industry are grouped into two broad classes as follows:

Class A - Prime Facilities

Plants and establishments originally designed, constructed, and equipped or converted through major change in the nature of installed machinery and equipment to engage in such manufacture, assembly or supply.

Class B - Secondary Facilities

Plants and establishments other than those falling in Class A, the use of whose products in connection with such manufacture, assembly, or supply represents merely a diversion of those products without major change in their character or without major change in the nature of facilities employed in their manufacture from peacetime civil consumption

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d. Examination of data supplied by SCAP and USSBS indicates that probably all plants and establishments engaged in the manufacture of aircraft engines, propellers, major airframes sub-assemblies, and in the final assembly of finished aircraft, were originally established to engage in such manufacture and will be designated as Class A. Facilities. It is estimated that this group accounts for approximately 45,000 machine tools.

e. A study of data on 30 of 54 companies engaged in the manufacture of major aircraft components indicates that the majority of component plants and establishments will fall in Class A. Among the products manufactured by this group are carburetors, magnetos, starters, generators, fuel pumps, landing gear and struts, radiators and oil coolers, hydraulic equipment, fuel ignition pumps, etc. Unlike the United States, Japan prior to the war had almost no sizable automobile industry whose plants could be converted to the production of similar and products that with minor adaptation could be used in aircraft. It is estimated that component manufacturers account for approximately 50,000 machine tools.

f. A third group of facilities identified with the aircraft industry are those commonly referred to as 'sub-contractors'. The practice of sub-contracting generally implies the use of existing facilities that are suitable without major change to the production of some component or part. In this group falls such miscellaneous common components as screw machine products, textile fabrics, non-specialized metal stampings, castings, forgings, glass, wire, etc. Facilities of this type in Japan, varying in size from minor household or 'backyard' producing units to large well-established plants, for the most part will be of the Class B type. It is estimated that such facilities account for about 25,000 machine tools.

g. In summary it appears that

(1) machine tool holdings of the Japanese aircraft industry are approximately 120,000. Of these tools roughly 95,000 are associated with Class A (Prime) Facilities, and about 25,000 are associated with Class B (Secondary) Facilities.

(2) machinery and equipment in aircraft plants or establishments identified as Class A Facilities, have no legitimate place in the immediate postwar economy and may be made available for claim;

(3) machinery and equipment in plants and establishments identified as Class B Facilities, are essentially suitable to the production of peacetime goods that may be necessary to support the civilian economy. Such facilities should not be made available for claim pending Allied decision as to the final disposition to be made of the industry with which they are normally associated.

CONFIDENTIAL10. Ball and Roller Bearing Industry.

a. This industry, stimulated by the heavy demand for its products for purposes of war, expanded during the 1940's to a point where its present capacity is greatly in excess of any legitimate peacetime requirements. An attempt to determine the size of this excess capacity based on comparison with bearing consumption during the period 1930-36 proves unsatisfactory, for Japanese statistics covering that period are both fragmentary and unreliable. In lieu of such a basis recourse is had to data concerning the consumption of bearings during the peak war years of 1943-44.

b. Average annual production reported during the two years 1943-1944 was valued at 251,600,000 yen. Of this total 80 percent was allocated to the Army, the Navy, and the Aircraft Industry and the remaining 20 percent to so-called civilian industry. The direct military demand can at once be eliminated from consideration of post-war requirements. The question remains as to whether or not the 20 percent utilized by "civilian" industry is an appropriate measure of such requirement for purposes of the Interim Program.

c. Although it is certain that the majority of bearings allocated to "civilian" industry during this period went into products employed directly or indirectly for war purposes, it is likely that such end use largely represented a diversion from normal peacetime consumption. In other words, it is to be expected that this segment of civilian industry, for the most part if retained will revert back to the production of such bearing consuming items as bicycles, motor vehicles, electrical machinery, industrial machinery, etc., for support of Japan's peacetime economy. The degree to which war demands inflated the production capacity of "civilian" industry and its requirements for anti-friction bearings is not susceptible to exact measurement but it is probable that one-third of this consumption can be attributed to such inflation. Adjustment of the 1943-44 average consumption for this factor indicates a "maximized" postwar annual requirement of about 32.5 million yen. This figure is equal to 76 percent of the apparent 1939 consumption for all purposes valued at 1939 prices but considerably less if account is taken of the facts that the yen value decreased and the real value per bearing unit increased during the interval. Production to meet requirements at this level would have little or no significance as a war potential and would eliminate one future import item, which has some significance in the light of Japan's probably unfavorable trade balance position.

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d. Retention of facilities for the production of ball and roller bearings valued at 32.5 million yen (1943-44 prices) per annum should provide ample capacity, with a margin of safety, to meet any legitimate needs envisioned for Japan in the immediate future. The balance of Japan's existing production facilities, constituting about 90% of estimated capacity, represents "obvious excess" and should be made available for claim under the Interim Reparations Program.

11. Naval Shipyards.

a. Japanese naval shipyards, whether publicly or privately owned, organized exclusively for purposes of war, have contributed nothing tangible to the support of the civilian economy in the past and have no place in the post-war economy envisioned for Japan. It is to be expected that facilities located in these shipyards will include the most modern and best maintained shipbuilding equipment in Japan. As such they should be particularly suitable for purposes of reparations. It is believed that all such facilities should be made available for claim, subject to the following limitations:

(1) Among the facilities associated with these shipyards will be some individual items of structure, machinery, and equipment so specialized in purpose as to be functionally limited to use for purposes of an exclusively military nature. Decision as to the disposition of such items is beyond the scope of this Interim Program. Such items, it is felt, should not be made available for reparations pending decision by properly constituted authorities.

(2) Japan's present shipping shortage is acute, as noted above. Some portion of naval shipyard capacity may have to be employed temporarily in merchant ship construction or repair to aid in meeting the present deficit, and in the repairing, servicing, and converting of Allied vessels. Decision as to the timing of their release for reparations should be made by SCAP.

12. Merchant Shipyards.

a. During the period 1930-1936 Japan operated a merchant fleet averaging about 4.2 million gross tons. Of this tonnage about one-half was employed in inter-island and Asiatic mainland trade and the balance in overseas trade.

b. There is reason to believe that Japan will not find it economical to operate the same volume of shipping in the immediate post-war period as she operated in the pre-war period, even if permitted to do so. Underlying her

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b. (contd) trade was the policy of Empire expansion involving subsidized and uneconomical transport of goods for direct or indirect military and foreign investment purposes in support of that policy. Unfortunately, the degree to which this policy inflated Japan's fleet is not susceptible to measurement. It seems certain, however, that this factor, together with Japan's presently disorganized economy, will limit her ability to operate economically for immediate post-war peacetime purposes a fleet aggregating more than 3.0 million gross tons.

c. On the basis of average merchant ship life of 20 years, Japan would require building capacity aggregating 150,000 gross tons per year to keep a merchant fleet operating at this level.

d. For purposes of the Interim Reparations Program, it seems desirable to declare as "obvious excess" capacity available for reparations all building facilities beyond those required to construct 150,000 tons of new ships per year and to service a merchant fleet of 3.0 million tons. Since Japan's present deficit in merchant shipping is such as to make her incapable of supplying occupation needs, no facilities should be made available for transfer until such time as her fleet is restored to a level which in the judgment of SCAP is sufficient to meet her immediate merchant vessel requirements.

e. Apart from Japan's own shipyard requirements, provision should be made for the retention of two 20,000 ton drydocks and yard facilities to service foreign vessels touching at Japanese ports.

13. Iron and Steel Industry.

a. Japan's immediate postwar requirements for steel are maximized at 3.25 million metric tons of ingot capacity and for pig iron at 1.75 million metric tons of blast furnace capacity.

b. Steel.

(1) Average annual consumption of steel ingot during the 7 year period 1930-1936 was 3.95 million metric tons. Although figures are not available to fix precisely the amount of steel that was used for war purposes, an examination of consumption data by industry indicates that at least 1.0 million metric tons, or not less than 25 percent of the total, were expended for war use either directly on military products or indirectly for expansion of capital facilities in preparation for war. On this basis, 2.95 million metric tons represents the upper limit of average annual consumption for peaceful purposes during that period.

CONFIDENTIALb. Steel (Contd)

(2) To provide for a probable increased demand in the postwar period resulting from population increase from the period 1930-1936, the above figure is raised by 10%, giving an estimated upper-limit requirement of 3.25 million metric tons.

(3) Retention of facilities for the annual production of 3.25 million metric tons of steel ingot should provide ample production capacity, with a margin of safety, to meet any legitimate need envisioned for Japan in the immediate future. The balance of her productive facilities, constituting an estimated 7.25 million metric tons capacity, represents "obvious excess" and should be made available for claim under the Interim Reparations Program.

c. Iron.

(1) Production of 3.25 million metric tons of steel will impose a demand for about 1.75 million metric tons of pig iron, if the usual practice (40 percent scrap and 60 percent new iron) is used. For purposes of the Interim Reparations Program, it may be assumed that this iron-steel production ratio will prevail in the postwar period.

(2) Retention of facilities for the production of 1.75 million metric tons of pig iron annually should provide ample productive capacity, with a margin of safety, to meet any legitimate needs envisioned for Japan in the immediate future. The balance of Japan's existing facilities, constituting an estimated annual capacity of about 6.0 million metric tons, represents "obvious excess" and should be made available for claim under the Interim Reparations Program.

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a. Japan has no apparent need for facilities to produce the prime light metals, alumina, aluminum and magnesium, or for facilities specifically allocated to the rolling and drawing of such metals and their alloys.

b. Prime Metals

Examination of data showing the historical development of this segment of the industry, reveals the facts that prior to 1931 no magnesium and prior to 1934 no aluminum was produced in Japan. Throughout the pre-war years, aluminum ^{1/} was readily available to the Japanese from suppliers on both the North American and European continents at much lower costs than achieved in Japanese domestic production which depended on imported equipment, foreign technicians, large government subsidies and continuing imports of the basic raw material, bauxite, as well as other accessory materials. No economic justification existed for the creation of this segment of the Japanese light metals industry and the enormous expansion that took place subsequent to 1930, was clearly for the purpose of establishing an independent status for purposes of waging war. Support is lent to this conclusion when it is realized that total consumption in the period 1930-36 averaged only 11,122 metric tons per year of which 85 percent was imported and that consumption in 1934 was 112,000 metric tons exclusive of imports. Furthermore, the type of light metal products to be manufactured for civilian consumption can be fabricated for the most part from secondary or scrap metal of which Japan has an abundance and will be far more economically for use than either imported or home produced prime metals.

c. Fabrication

It appears that Japan may have legitimate post-war needs for 15,000 metric tons of fabricated light metals annually.

^{1/} In the remainder of this section, attention is directed primarily to the aluminum industry because much greater plant capacity is involved than in the magnesium industry and because in most other major respects, including utilization for aircraft, incendiaries, etc., the arguments applying to one apply to the other.

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There will, however, be no need for the retention of facilities specifically allocated to such fabrication. The special purpose equipment designed for processing high strength light metal alloys and for rolling large dimension sheet (e.g. for aircraft wings) is clearly for war purposes and has no place in a peaceful economy. All other fabrication can be done on general purpose rolling and drawing equipment, of which there is an abundance, in other branches of the non-ferrous metals industry.

d. In the light of the foregoing, it appears that

(1) Japan's facilities for the production of alumina, and primary aluminum and magnesium, should be made available for reparations. Exception should be made, however, in the case of cement plants (probably 2 or 3), where equipment was added in an endeavor to produce alumina from clays and shale. The added equipment is obviously a part of the wartime expansion and should be made available for reparations, but the kilns, grinding equipment, etc., belong to the peacetime cement industry and should be retained pending decision as to the disposition to be made of that industry;

(2) Japan's rolling and drawing facilities allocated to the fabricating of the light metals and their alloys should be made available for reparations;

(3) Japan's facilities for remelting light metal scrap into secondary ingot should be retained in Japan and not made available for reparations.

15. Thermal Electric Power Industry.

a. Japan's immediate optimum postwar requirements for thermal electric generating capacity are maximized at 2.1 million kilowatts.

b. Average installed thermal generating capacity in Japan during the period 1930-36 was about 2.1 million kw. Subsequent to that period, capacity expanded to about 90 percent (4.0 million kilowatts) in support of a growing hydro-electric industry developed largely for purposes of war and to a point far in excess of her peacetime requirements.

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c. In addition to the fact that average 1930-36 capacity provides a reasonable basis for establishing peacetime requirements, it is significant to cite the following:

- (1) Present installed hydro-electric capacity is greater than that for hydro and thermal combined in the earlier period.
- (2) More than 30 percent of the total kwh generated in 1943 were employed directly for war use in arsenals, aircraft, light metal, and chemical plants that will have no place in the postwar economy.
- (3) Total load on thermal plants in January, the 'dry month' of the peak war year 1943, represented a coincident demand of only 1.5 million kw or about 40 percent of installed capacity.
- (4) Hydro-electric generation is generally more economical, given the installed facilities, than thermal generation.
- (5) Japan is currently faced with a shortage of fuel for thermal operation.

d. In the light of these considerations, it is clear that Japan has excess electric power generating capacity and that pending a detailed study of the system as a whole, retention of thermal electric generating facilities rated at 2.1 million kw should provide ample productive capacity, with a margin of safety, to meet any legitimate needs envisioned for Japan in the immediate future. The balance of Japan's existing facilities, constituting an estimated productive capacity of 2.0 kw., represents "obvious excess" and should be made available for claim under the Interim Reparations Program.

16. Sulfuric Acid Industry.

a. Japan's immediate postwar peacetime requirements for sulfuric acid (62 percent acid equivalent ^{2/}) are maximized at 3 million metric tons annually. This estimate based on prewar consumption allows for

^{2/}In this section, quantities of sulfuric acid are reported in terms of 62 percent equivalent, a procedure commonly used in the industry.

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(1) An increased demand from the fertilizer industry which consumed about 65 percent of total production during the period 1930-38. This increase is based on the following assumptions:

(a) That Japan's present critical food position demands optimum production of fertilizers.

(b) That prewar imports of both ammonium sulfate and commercial fertilizers must be replaced largely by ammonium sulfate requiring about 580,000 metric tons of sulfuric acid produced in Japan.

(c) That prewar fertilizer requirements must be adjusted upwards to account for a population increase and for the rehabilitation of land unfertilized during the war.

(2) A demand from other peacetime consumers such as the petroleum, iron and steel, synthetic fiber, paints, pigment, dye, and pharmaceutical industries, equivalent to the average in 1930-36.

(3) Elimination of the small demand for explosives which is estimated to have been less than 225,000 metric tons per year, even during the peak war period.

b. Capacity necessary to support consumption at this level is estimated to be 3,500,000 metric tons. The margin provided by this estimate is based on the following assumptions:

(1) Producing units of the industry cannot be expected to operate at 100 percent capacity.

(2) Any reduction of capacity in non-ferrous smelters that may be carried out subsequent to the Interim Reparations Removal Program will inactivate the associated facilities engaged in the production of sulfuric acid from waste gases.

c. Retention of facilities for the production of 3.5 million metric tons of sulfuric acid should provide ample productive capacity, with a margin of safety, to meet any legitimate needs envisioned for Japan in the immediate future. The balance of Japan's existing productive facilities, constituting an estimated capacity of about 1.4 million metric tons, represents "obvious excess" and should be made available for claim under the Interim Reparations Program.

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c. (Contd) In selecting plants for such removal, it is important that consideration be given to the nature of their operation and their industrial affiliation.

(1) Lead Chamber Plants. Sulfuric acid produced in lead chamber plants is of no more than about 65 percent strength (unless further concentrated). Acid of this strength is entirely suitable for fertilizer production and for many other civilian uses. It is, however, unsuited to the production of explosives. Since Japan's immediate requirements for sulfuric acid exceed the existing capacity of lead chamber plants, it is preferable, from a disarmament point of view, that all removals be made from contact plants. Since existing capacity in contact plants is substantially in excess of the 1.4 million metric tons all removals should be confined to that category and no lead chamber plants should be made available.

(2) Contact Plants Integrated with Non-Ferrous Smelters.

Plants producing sulfuric acid through the recovery of waste gases from non-ferrous metals smelters are an integral and essential part of the smelting establishment. Removal of sulfuric acid plants from such establishments would in effect render the smelter inoperable. From a reparations point of view sulfuric acid plants so affiliated should be made available only as an integral part of the smelting establishment and should not be considered in this present category of the Interim Program.

(3) Contact Plants Integrated with Fertilizer-Producing Establish-

ments. Fertilizer plants usually produce their own sulfuric acid, and although the weaker acid produced in chamber plants is entirely suitable for their purposes, many of them in Japan (and elsewhere) operate contact installations. The removal of sulfuric acid plants from an integrated fertilizer establishment would, because of the difficulty and expense in transporting purchased acid, handicap economic operation.

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(3) Contd. In recognition of Japan's urgent requirements for fertilizer, and pending examination of her supply-demand position in the fertilizer industry, it is advisable that no sulfuric acid contact plants integrated with fertilizer establishments, unsupported by at least an equivalent lead chamber capacity, be included in those made available for removal under the Interim Program.

17. Soda Ash, Chlorine, and Caustic Soda Industry.

a. Japan's annual postwar requirements for these three chemicals will not exceed 393,800 metric tons of soda ash, part of which will be converted to caustic soda; 53,400 metric tons of chlorine; and 184,200 metric tons of caustic soda.

b. Soda Ash.

(1) During the period of 1930-36, annual consumption of soda ash in Japan averaged 351,800 metric tons. Forty percent of this total was converted to caustic soda; average distribution of the remaining 60 percent was: 42 to 50 percent to the glass manufacturing industry, 20 percent to the chemical industry, 14 percent to the food processing industry, and from 4 to 10 percent to the soap manufacturing industry.

(2) Annual requirements in the postwar period may be expected to follow those of 1930-36 period both as to volume and nature of use with the single exception that the demands for conversion to caustic soda exerted by the synthetic fiber industry, if retained, will be greater. This increase, explained in the section on caustic soda, will amount to about 42,000 metric tons per year. These considerations indicate a "maximized" annual consumption of about 394,000 metric tons which would require rated production capacity of 500,000 metric tons if allowance is made for operations at 80 percent of capacity.

(3) Retention of facilities for the annual production of 500,000 metric tons (rated capacity) of soda ash should provide ample productive capacity, with a margin of safety, to meet any legitimate needs envisioned for Japan in the immediate future. The balance of Japan's existing productive facilities, probably

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3. Contd.

one of four large plants, represents "obvious excess" and should be made available for claim under the Interim Reparations Program.

c. Chlorine.

(1) During the period 1930-36 annual consumption of chlorine in Japan averaged about 53,400 metric tons. Data on the distribution of chlorine in Japan according to end use are not available. In broad terms it is likely that the great bulk of it went into the chemical and the paper and pulp industries, and that a small portion was used for water treatment and for processing textiles. However, chlorine also has significant applications in a war economy as an important element in chemical warfare agents. Because of this war potential it is felt that the capacity of the chlorine industry should be kept at an absolute minimum for essential postwar peacetime needs, which it seems certain can be met by production at the average annual 1930-36 rate of 53,400 metric tons per year. Any increase in requirements for bleaching of rayon pulp, sanitation or insecticides can be met by economies in use of chlorine for such purposes as bleaching of paper pulp. Facilities to produce this amount of chlorine should have an aggregate capacity of about 60,000 metric tons (less than 30 percent of estimated existing capacity) to allow for seasonal operation of plants dependent on hydro-electric power.

(2) Retention of facilities for the production of 60,000 metric tons (rated capacity) of chlorine per annum should provide ample productive capacity, with a margin of safety, to meet any legitimate needs envisioned for Japan in the immediate future. The balance of Japan's existing productive facilities, amounting to about 20 small plants, represents "obvious excess" and should be made available for claim under the Interim Reparations Program.

d. Caustic Soda

(1) During the period 1930-36, annual consumption of caustic soda in Japan averaged 118,200 metric tons. Data available

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(1) Contd.

on consumption by end use for the period 1932-36 show the following average distribution: rayon industry 46.3 percent, dyestuffs 16.4 percent, soap 13.3, bleaching 10 percent and other uses (including the manufacturing of paper, pharmaceuticals cellophane, alumina, oil purification, etc.) 14 percent. By 1938 caustic soda production had risen to 440,800 metric tons of which 66 percent or about 291,000 metric tons was used in the synthetic fiber industry.

(2) Except for possible additional requirements for synthetic fiber production, legitimate postwar requirements for caustic soda in Japan are likely to remain at about the 1930-36 level. In spite of Japan's current need for textile materials in vast quantities, the raw material supply position of the synthetic fiber industry is such that there appears to be no possibility of utilizing its full present capacity. Pending detailed analysis of that industry and final Allied decision as to its ultimate disposition, operation can be safely fixed at about 60 percent of capacity, requiring about 105,000 metric tons of caustic soda annually, an increase of 36,000 metric tons over the average for 1930-36. Since it is desirable to keep production of chlorine at a minimum, provision is made to meet this increased demand from the soda ash industry (see Soda Ash section). In effect, this will raise the requirements for soda ash by 42,000 metric tons annually over those pertaining on the average during the period 1930-36.

(3) Because caustic soda can be produced only in association with soda ash or chlorine no separate program for removal of caustic soda facilities per se is required. The reduction of capacity for the production of the other two chemicals to the levels suggested above will simultaneously make available for claim under the Interim Reparations Program about 345,000 metric tons of caustic soda capacity.

Cl-001/1

10 April 1946

FAR EASTERN COMMISSION

COMMITTEE NO.1: REPARATIONS

INTERIM REPARATIONS REMOVAL PROGRAM FOR JAPAN

Note by the Secretary General

1. The following errata have been noted in Cl-001 Interim Reparations Removal Program for Japan:-
 - a. Page 6. Third line from bottom. Change "a bill" to "still".
 - b. Page 7. Change paragraph number "7" to "6".
 - c. Page 8. Paragraph c. Change first sentence to read:
"Three factors indicate the advisability, pending further study, of providing a margin of safety in in post-war requirements over those based on consumption for 1933-36."
 - d. Page 11. Third line from end of paragraph e.
Change "and products" to "end products."
2. It is requested that the above corrections be made in Cl-001.

Cl-001/1

NELSON T. JOHNSON
Secretary General

CONFIDENTIALC1-001/222 May 1946*Cony Sec. 131*FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONSINTERIM REPARATIONS REMOVALS-
PRIVATELY OWNED MUNITIONS PLANTSNote by the Secretary General

1. The enclosure, a proposed policy for interim reparations removals of privately owned munitions plants, as unanimously approved by the special sub-committee, is forwarded herewith for the consideration of Committee No. 1: Reparations.

2. The policy proposal set forth in the enclosure was referred to Committee No. 2 for consideration and recommendation in connection with the level of economic life in Japan. It was approved by that committee at its eighth meeting, 22 May 1946, with the Soviet and United States members reserving their positions.

3. 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

C1-001/2

CI-001/2ENCLOSUREINTERIM REPARATIONS REMOVALS-
PRIVATELY OWNED MUNITIONS PLANTSCONCLUSION1. Privately-owned Munitions Plants

(Definition: Privately-owned plants and establishments primarily engaged in manufacture of weapons, missiles, ammunition, and military explosives.) All facilities within this category that were originally organized for munitions production, or were converted to munitions production through such major change in the volume and character of their equipment as to render them unsuitable for reconversion to peace-time purposes, should be made available for claim, subject to the following limitation:

a. Special Purpose Machinery and Equipment

All machinery, equipment, and accessories, which by virtue of initial design, construction, or major structural change, are, as individual items, special purpose in nature and functionally limited to use in connection with the manufacture of equipment or supplies for war or warlike purposes, should be held pending further instructions concerning their disposition.

DISCUSSION

1. In addition to a well-organized system of government-owned arsenals, Japan, at the close of the war, had a substantial investment in privately-owned munitions plants. Such plants had increased in number from 70 in 1930 to approximately 321 in 1945. A survey by SCAP affords some clue as to their size and importance.

Privately-owned Munitions plants, Japan. 1945

<u>Size of Plant</u>	<u>Number of Plants</u>	<u>Total Number of Machine Tools</u>
Over 1000 Machine Tools	19	55,143
500 to 1000 " "	15	10,803
100 to 500 " "	188	39,261
Less than 100" "	<u>99</u>	<u>7,170</u>
Totals	321	112,377

2. The majority of these plants were either originally organized for munitions production or, in the process of conversion to munitions production have undergone such major change in the volume and character of their equipment as to render them unsuitable for reconversion to peace-time production. Of the plants in the above table, available information indicates that 221, accounting for 99,000 machine tools (88% of the total) are of such a character. These facilities, and other facilities which may later be found to fall in this category should be made available for claim, subject to the limitation stated in a below.

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a. Among the facilities associated with privately owned munitions plants will be some individual items of machinery and equipment so specialized in purpose as to be functionally limited to use in connection with equipment or supplies of an exclusively military nature. Decision as to the disposition of such items is beyond the scope of this Interim Reparations Removal Program. Such items, it is felt, should not be made available for claim pending decision by properly constituted authorities.

C1-001/2

1-001/3

20 June 1946

FAR EASTERN COMMISSION

COMMITTEE NO. 1: REPARATIONS

INTERIM REPARATIONS REMOVALS:
IRON AND STEEL INDUSTRY

Note by the Secretary General

The enclosure, a proposed policy for Interim Reparations: Iron and Steel Industry, revised by the Secretary of Committee No. 1 in the light of discussion at the sixteenth, seventeenth, eighteenth, and nineteenth meetings, is circulated herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.

NELSON T. JOHNSON
Secretary General

01-001/3

E N C L O S U R EINTERIM REPARATIONS REMOVALS:
IRON AND STEEL INDUSTRY1. Iron and Steel Industry

(Definition: "Plants and establishments primarily engaged in the production of pig iron or steel ingot.")

a. That portion of Japan's capacity for the production of steel ingot that is in excess of 3.5 million metric tons annually should be made available immediately for claim. In selecting plants for removal first consideration should be given to electric furnace capacity, which should be reduced to an aggregate of 100,000 metric tons annual capacity made up as far as possible of furnaces of individual charge capacity of 1 1/2 tons or less. No Bessemer steel capacity should be removed.

b. That portion of Japan's capacity for the production of pig iron that is in excess of 2.0 million metric tons annually should be made available immediately for claim.

CI-001/4

10 June 1946

FAR EASTERN COMMISSION

COMMITTEE NO. 1: REPARATIONS

INTERIM REPARATIONS REMOVALS

Note by the Secretary General

1. The enclosure, proposals for additional Interim Reparations Removals, submitted by the United Kingdom member of Committee No. 1, is circulated herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.

2. These proposals are meant to supplement those contained in CI-001 Interim Reparations Removals Program for Japan. It is the intention of the United Kingdom representative to submit shortly further proposals relating to other Japanese industries.

NELSON T. JOHNSON
Secretary General

CI-001/4

E N C L O S U R EINTERIM REPARATIONS REMOVALS

The action specified below should be taken with respect to facilities identified in the following categories of Japanese industry. Such action, under the Interim Reparations Removal Program, should be taken without prejudice to further removals that may be ordered under a final reparations program.

1. Oil Refining and Storage

(Definition: Plants and establishments for the processing of crude petroleum and alcohol, (but excluding synthetic crudes derived from coal), including all straight run distillation plants and natural (casinghead) gasoline plant, thermal cracking units, vacuum distillation plant for the manufacture of ordinary and high-grade lubricating oils, and iso-octane plant, including any isomerization, polymerization or alkylation equipment. All tankage, whether surface or underground, connected with tank farms or refineries, used primarily for storage of oil in bulk).

a. That portion of Japan's capacity for refining crude oil over and above that required for refining Japanese indigenous production of crude oil, estimated at 300,000 metric tons per annum, should be made available for claim, subject to the following limitations:-

(1) Those refineries situated on or near oil fields, together with those processing natural gasoline (casinghead) should be given priority in the list of plants to be retained.

b. That portion of Japan's capacity for the bulk storage of oil which is surplus to the amount required to store three months' consumption on a scale of 2 million metric tons of products per annum should be made available for claim.

The storage to be retained, viz: 500,000 metric tons, should be selected with due regard to the needs of (a) indigenous production and (b) imported products.

2. Synthetic Oil Industry

(Definition: Those plants and establishments both government and privately owned, engaged in the manufacture of petroleum products from coal, whether by high-pressure hydrogenation, the Fischer-Tropsch hydro-carbon synthesis, or low temperature carbonization).

a. All facilities identified within this category should be made available for claim, subject to the following reservation:-

(1) Any plant designated as suitable for actual or potential conversion to the manufacture of sulphate of ammonia for fertilizers should be retained in operation until the supply of fixed nitrogen from other sources becomes adequate.

3. Synthetic Rubber Industry

(Definition: Plants and establishments engaged in the production of synthetic rubber).

a. All facilities which have been engaged in the production of synthetic rubber should be made available for claim.

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C1-001/5

13 June 1946

FAR EASTERN COMMISSION

COMMITTEE NO. 1: REPARATIONS

INTERIM REPARATIONS REMOVALS: IRON AND STEEL INDUSTRY

Note by the Secretary General

1. The enclosure, a proposed amendment to C1-001/3 Interim Reparations Removals: Iron and Steel Industry, submitted by the Chinese member of Committee No. 1, 10 June 1946, is circulated herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.

NELSON T. JOHNSON
Secretary General

C1-001/5

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ENCLOSURE

INTERIM REPARATIONS REMOVALS: IRON AND STEEL INDUSTRY

(f) Iron and Steel Industry

(Definition: "Plants and establishments primarily engaged in the production of pig iron or steel ingot, or the rolling into semi-finished or finished steel products before the stage of fabrication, such as rails, rods, bars, tubes, plates, sheets, strips, and structural shapes.")

(1) That portion of Japan's capacity for the production and rolling of steel ingot that is in excess of 35 million metric tons ingot annually should be made available for claim.

CI-001/6

24 June 1946

FAR EASTERN COMMISSION

COMMITTEE NO. 1: REPARATIONS

INTERIM REPARATIONS REMOVALS FROM JAPAN

Note by the Secretary General

The enclosure, United Kingdom proposals for additional Interim Reparations Removals, submitted by the United Kingdom member of Committee No. 1, is circulated herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.

NELSON T. JOHNSON
Secretary General

CI-001/6

E N C L O S U R EINTERIM REPARATIONS REMOVALS FROM JAPAN

The action specified below should be taken in respect to facilities existing in the industries listed. Such action, under the Interim Reparations Removal Program should be taken without prejudice to further removals that may be ordered under a final reparations program.

1. Railway Locomotives and Wagons Industry

(Definition: "Plants and establishments primarily engaged in the construction and assembly of steam locomotives, electric locomotives, electric passenger cars, passenger coaches and freight wagons; in the manufacture of component parts; and in the repair and maintenance of all railway rolling stock").

- a. That portion of the installed capacity for the production of these facilities which is surplus to an annual production of 110 steam and electric locomotives and 1,350 passenger coaches and freight wagons per annum should be made available for claim subject to the following limitation: -

- (1) That sufficient extra capacity be retained at present for rehabilitation purposes, or to build any immediate requirements of rolling stock for liberated areas.

2. Motor Vehicles (including Motor Cycles) Industry

(Definition: "Plants and establishments primarily engaged in the manufacture of engines, chassis and any other components of motor vehicles (including motor cycles); and in the assembly of finished vehicles").

- a. That portion of the productive capacity that is in excess of that required to repair and maintain a fleet of 125,000 vehicles should be made available for claim subject to the following limitations: -

- (1) That sufficient extra capacity be retained in the

immediate future to permit of new construction to supply the bare vital requirements for rehabilitation as designated by S.C.A.P.

3. Motor Vehicle Tires Industry

(Definition: "Plants primarily engaged in the manufacture of tires (outer covers) and inner tubes for all types of motor vehicles, including motor cycles").

- a. That portion of the productive capacity that is in excess of 500,000 tires per annum should be made available for claim, subject to the limitation that the capacity for the production of bicycle tires for domestic use, and for export in the short term to relieve world shortage, is not affected by any removals.

4. Cement Industry

(Definition: "Plants engaged in the production of cement").

- a. That portion of Japan's capacity for the production of cement that is in excess of 6 million metric tons a year should be made available for claim. In designating the plants to be included as surplus, due regard should be paid to: -

(1) The need for cement in the district served by the plant.

(2) The special type of cement manufactured.

5. Copper Smelting, Refining and Fabricating Industry

(Definition: "Plants engaged in (a) the smelting of copper ore or copper concentrates, (b) plants engaged in refining the product of the smelters, and (c) plants engaged in the fabricating of copper or its alloys").

- a. That portion of Japan's capacity for smelting and refining copper ore or copper concentrates in excess of 80,000 metric tons annually of copper metal should be made available for claim.

- b. That portion of Japan's capacity for fabricating copper or its alloys which is in excess of that which would utilize the above 80,000 metric tons per annum of copper metal should be made available for claim.

6. Nitric Acid Industry

(Definition: "Plants and establishments primarily engaged in the manufacture of nitric acid").

- a. That portion of Japan's capacity for the production of nitric acid that is in excess of that required by a permitted peacetime chemical industry should be made available for claim. Pending further investigation of this final level, an interim removal program is recommended which would leave a capacity of 30,000 metric tons per annum. Priority of removal or destruction should be given to any plant definitely associated with explosive plants.

7. Ammonium Nitrate Industry

(Definition: "Plants and establishments primarily engaged in the manufacture of ammonium nitrate").

- a. All facilities engaged in the production of ammonium nitrate should be made available for claim unless it is found that the ammonium nitrate produced by them can be used to supplement the supply of fertilizers. In this case they should be retained in operation until the supply of fixed nitrogen for fertilizers from other sources becomes adequate.

CI-001/7

27 June 1946

FAR EASTERN COMMISSION

COMMITTEE NO. 1: REPARATIONS

INTERIM REPARATIONS REMOVALS

Note by the Secretary General

The enclosure, a list of additional industries to be considered for removal as reparations, submitted by the Chinese member of Committee No. 1, is circulated herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.

NELSON T. JOHNSON
Secretary General

CI-001/7

E N C L O S U R EINTERIM REPARATIONS REMOVALSI. POWER

1. Diesel Power Plant

Plants and establishments primarily engaged in the production of electric energy through the use of oil as the basic energy source.

2. Hydro-Electric Power Equipment

Plants and establishments primarily engaged in the production of electric energy through the use of the motive power of water as the basic energy source.

II. TRANSPORTATION EQUIPMENT PLANTS

3. Railway Repair Shops

Plants and establishments primarily engaged in the major repair of locomotives, passenger cars and freight wagons.

4. Rolling Stock Manufacturing Plants

Plants and establishments primarily engaged in the manufacture or assembly of locomotives, passenger cars and freight wagons.

5. Steel Fabrication Plants

Plants and establishments primarily engaged in the fabrication of steel railway bridges or other structural steel work.

6. Other Railway Material Factories

Plants and establishments primarily engaged in the manufacture of air brakes and railway signals, and in the treating of railway ties.

III. MINING AND METALLURGICAL PLANTS

7. Copper Smelters, Refineries and Rolling Mills

Plants and establishments primarily engaged in the smelting and refining of copper and in the rolling and extrusion of copper alloy products.

8. Zinc, Lead and Tin Smelters and Refineries

Plants and establishments primarily engaged in the smelting, refining and rolling of zinc, lead and tin.

9. Prospecting and Drilling Equipment

Plants and equipment primarily engaged in the mining works and the mining, washing and processing of coal.

VI. MECHANICAL INDUSTRY PLANTS

10. Optical and Industrial Instrument Plants

Plants and establishments primarily engaged in the manufacture and assembly of optical and industrial instruments, including precision gauges and watches.

11. Steam Boiler Manufacturing Plants

Plants and establishments primarily engaged in the manufacture and assembly of steam boilers and their auxiliaries.

12. Steam and Diesel Engine Plants

Plants and establishments primarily engaged in the manufacture of steam engines, diesel engines and reciprocating compressors.

13. Turbines, Pump and Blower Plants

Plants and establishments primarily engaged in the manufacture of steam or water turbines, pumps, blowers and rotary compressors.

14. Heavy Machinery Manufacturing Plants

Plants and establishments primarily engaged in the manufacture of heavy machinery for the mining, metallurgical and chemical industries.

15. Automotive Manufacturing Plants

Plants and establishments primarily engaged in the manufacture and assembly of trucks and passenger cars.

16. Manufacturing Plants of Textile Machineries and Looms.

Plants and establishments primarily engaged in the manufacture and assembly of machineries for the textile industries covering those for cotton, wool and natural and artificial silk.

17. Motorcycle and Bicycle Plant

Plants and establishments primarily engaged in the manufacture and assembly of motor cycles and bicycles and their accessories.

V. ELECTRICAL MANUFACTURING PLANTS

18. Heavy Electric Power Equipment and Prime Mover Manufacturing Plants

Plants and establishments primarily engaged in the manufacture of heavy electric power equipment and associated prime movers.

19. Wire and Cable Plants

Plants and establishments primarily engaged in the manufacture of copper and aluminum wire, galvanized iron wire, insulated electrical wire and cable and copper shapes.

20. Lamp Bulb and Electronic Tube Plants

Plants and establishments primarily engaged in the manufacture of lamp bulbs and electronic tubes including equipment for making tungsten and molybdenum filaments.

21. Radio Manufacturing Plants

Plants and establishments for the manufacture and assembly of radio apparatus and parts.

22. Telephone Manufacturing Plants

Plants and establishments primarily engaged in the manufacture and assembly of wire communication equipment and parts.

23. Dry Cell and Storage Battery Plants

Plants and establishments primarily engaged in the manufacture and assembly of dry cells and storage batteries.

24. Insulator Manufacturing Plants

Plants and establishments primarily engaged in the manufacture of porcelain and glass insulators.

VI. CHEMICAL INDUSTRY PLANTS

25. Nitrogen Fixation Plant

Plants and establishments primarily engaged in the fixation of nitrogen, including equipment for making liquid ammonia, nitric acid, ammonium nitrate and ammonium sulphate.

26. Superphosphate Plant

Plants and establishments primarily engaged in the manufacture of phosphate fertilizers.

27. Portland Cement Plant

Plants and establishments primarily engaged in the manufacture of Portland cement.

28. Pulp and Paper Plants

Plants and establishments primarily engaged in the manufacture of sulphite pulp, mechanical pulp, newsprint and paper other than newsprint.

29. Rayon Plants

Plants and establishments primarily engaged in the manufacture of rayon.

30. Dyestuff Plants

Plants and establishments primarily engaged in the manufacture of dyestuff intermediates as well as dyes of various types.

31. Pharmaceutical Plants

Plants and equipment primarily engaged in the manufacture of synthetic pharmaceuticals, vaccines and serums, organotherapeutica and vitamin products.

32. Calcium Carbide Plants

Plants and establishments primarily engaged in the manufacture of carbide, cyanamide and synthetic organic chemicals.

33. Rubber Production and Processing Plants

Plants and establishments primarily engaged in the processing of crude rubber, the production of synthetic rubber and in making tires and mechanical rubber goods.

34. Petroleum Plants

Plants and establishments primarily engaged in the topping, cracking and refining of petroleum products as well as production of synthetic liquid fuels.

35. Plastics Plants

Plants and establishments primarily engaged in the production of synthetic plastic materials.

VII. MISCELLANEOUS EQUIPMENT AND ITEMS

36. Ships and Vessels for Water Transportation

Passenger and cargo steam vessels for coast and open ocean service.

37. Harbor Facilities

Harbor facilities such as loading and unloading equipment and inter-harbor transportation facilities.

38. Railway Equipment

Railway equipment such as locomotives, passenger cars, freight wagons, locomotive cranes, weighing bridges, etc.

39. Semi-finished Products for Railway Construction

Semi-finished products for railway construction, including steel rails and structural steels for making railway bridges and freightwagons.

40. Printing Equipment

Facilities and equipment primarily engaged in printing.

41. Canneries

Plants and establishments primarily engaged in the canning of foodstuffs.

42. Mint

Plants and establishments primarily engaged in the making of metal coins.

43. Technical Research Laboratories

Laboratories primarily engaged in aeronautical, meteorological, metallurgical, chemical, physical, electrical, ceramic, optical, pharmaceutical, biological, biochemical, hydraulic, heat-engine, and ballistic researches.

VIII. RECURRING ITEMS

44. Recurring items such as copper, sulphur, special steel, glass, rayon, pulp, timber, cross ties, mulberry tree seedling, silk worm eggs, wooden poles, phenol, etc.

cl 001/8

28 June 1946

FAR EASTERN COMMISSION

COMMITTEE NO. 1: REPARATIONS

INTERIM REPARATIONS REMOVALS:
STEEL ROLLING MILL CAPACITY

(Reference: cl 001/5)

Note by the Secretary General

The enclosure, United Kingdom proposals for additional interim reparations removals, submitted by the United Kingdom member of Committee No. 1, is circulated herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.

NELSON T. JOHNSON
Secretary General

cl 001/8

E N C L O S U R EINTERIM REPARATIONS REMOVALS:
STEEL ROLLING MILL CAPACITY

1. It has been proposed in the Reparations Committee that part of Japan's steel rolling mill capacity should be made available for claim under the Interim Reparations Removals Program. The United Kingdom's view on this proposal, while favorable in principle is that preliminary study is required before exact proposals can be framed, and it is suggested that a sub-committee should be appointed for the purpose.

2. The reasons for the United Kingdom view are set out below:

PRIMARY ROLLING MILLS

Information is required on the size of Japan's blooming and slabbing mills and where they are installed. Up to 1939 it was generally understood that Japan was unable to produce these mills domestically and had purchased all such equipment from abroad. There is some evidence to show that the production of rolled steel products tended downward rather than upward after 1939 and that therefore the Japanese may not have been able to fabricate these mills during the war years. The existence of a secondary rolling mill capacity of about 8.5 million tons would suggest that there were sufficient primary mills to deal with this output, but it is possible that in many places the size of ingots cast was very much reduced so as to enable secondary roughing mills to take care of the rolling, thereby by-passing the blooming mills. It is, therefore, important that an investigation be made of Japanese steel rolling practice before it can be determined what primary mill capacity should be retained for the future permitted operation of the industry. Until this is done no satisfactory estimate can be made of the available surplus of this particular type of rolling plant.

SECONDARY ROLLING MILLS

Japan's secondary rolling mill capacity is believed to amount to about 8,646,000 tons per annum traceable to 51 different plants. Of this amount 1,206,000 tons are owned by 34 concerns

which have an annual rolling capacity of under 100,000 tons. They derive their supplies of steel almost entirely from their own electric steel furnaces. Some of the remaining 17 plants, with a capacity of over 100,000 tons, are not fully integrated and have to purchase ingots or blooms from other plants which produce more steel than they can process.

1944 Rolling Capacity by Products (1,000 tons)

<u>Bars.</u>	<u>Shapes.</u>	<u>Sheets</u>	<u>Plates</u>	<u>Pipes</u>	<u>Rails</u>	<u>Wire</u>	<u>Others</u>	<u>Total</u>
					<u>& Access-</u>	<u>&</u>		
					<u>ories</u>	<u>Rods</u>		
<u>2,603</u>	<u>703</u>	<u>1,031</u>	<u>2,127</u>	<u>637</u>	<u>379</u>	<u>736</u>	<u>430</u>	<u>8,646</u>

The retention of a finished steel rolling mill capacity of 2,775,000 tons is tentatively suggested, which would leave a capacity of about 5,870,000 tons for complete dismantling and removal from 46 plants, and for partial removal from the three plants at Yawata, Hirohata, and Kawasaki. Only the two plants at Wanishi and Kamaishi would retain their equipment intact.

CI-001/928 June 1946FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONSINTERIM REPARATIONS REMOVALS: RAILWAY EQUIPMENTNote by the Secretary General

The enclosure, Netherlands proposals for additional interim reparations removals, submitted by the Netherlands member of Committee No. 1, is circulated herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.

NELSON T. JOHNSON
Secretary General

CI-001/9

ENCLOSUREINTERIM REPARATIONS REMOVALS: RAILWAY EQUIPMENT

The action specified below should be taken with respect to facilities identified in the following category of Japanese equipment. Such action, under the Interim Reparations Removal Program, should be taken without prejudice to further removals that may be ordered under a final reparations program.

Railway equipment

1000 Steam locomotives
30.000 Freight cars
1000 Passenger cars

A P P E N D I XDISCUSSION OF NETHERLANDS PROPOSAL REACTION WITH
REGARD TO INTERIM REMOVAL OF RAILWAY
EQUIPMENT

The growth of the Japanese railway equipment in the course of the years is shown by the following statements taken from the Summations of Non-Military Activities of the Supreme Commander for the Allied Powers:

	<u>Locomotives</u>			<u>Cars</u>		
	Electr.	Steam	Total	Electr.	Freight	Passenger
1926	87	3878	3965	822	61897	8092
1936	169	4066	4235	1553	73184	9640
1941	226	4974	5200	1805	101222	11344
1942	239	5126	5365	1828	105835	11440
1943	261	5533	5794	1963	113997	11598
1944	292	5944	6236	2143	120747	11675
Nov. 1945	292	5970	6262	2131	120999	11669
Mar. 1946	275	4549	4824	1372	114724	10177

The difference between the figures for November 1945 and those mentioned above as "operable March 1946" is made up by the equipment in repair.

The use made by Japan from its railway system is indicated by the following figures:

Tonnage, Ton-miles and freight-train miles on Government railways.

	<u>Tonnage</u> (1000 tons)	<u>Ton-miles</u> (1000 ton-miles)	<u>Freight-trains miles</u> (1000 fr. tr. miles)
1926	82.408	8.136.916	32.203
1936	107.584	11.162.419	131.256
1941	167.212	20.460.536	198.202
1942	174.201	23.250.994	212.058
1943	193.975	29.185.846	247.112
1944	184.504	29.597.146	269.798

Assuming that one half of the equipment now in repair can be restored to normal conditions and capacity, Japan would have available within short time:

283	electric locomotives
5259	steam locomotives
1751	electric cars
117862	freight cars
10923	passenger cars

After removal of the equipment as proposed the equipment available would be

		<u>as against in 1936</u>
electric locomotives	283	169
steam "	4259	4066
electric cars	1751	1553
freight cars	87862	73184
passenger cars	9923	9640

Consequently the equipment, left at the disposal of Japan for all items exceeds the equipment which was available in the year 1936; for freight cars considerably so. It should be possible to handle with the remaining equipment a tonnage and a mileage far above the figures noted above for the year 1936, the more so because the same figures show that it has been possible to increase the capacity of the railways much more than would have been in accordance with the linear relation between equipment available in 1936 and afterwards. There is certainly no reason whatever to allow Japan to keep a super-normal volume of railway facilities, seeing that its aggressive action has caused the railway systems of the countries occupied by Japan during the war to get into a desperate state, hampering all endeavors for rehabilitation, causing foodshortages in the urban districts, and consequently disease and unrest and a fatal impossibility of resuming exports to other countries.

Informations made available in the Summations of Non-Military Activities show that production of new locomotives and new cars has been resumed already on an appreciable scale. Moreover, long range plans are being developed for rehabilitation of the Japanese railways. These plans include renovation and construction to existing lines, systems and stations as well as electrification of the majority of the present steam-operated sections.

C1-001/10

12 July 1946

FAR EASTERN COMMISSION

COMMITTEE NO. 1: REPARATIONS

INTERIM REPARATIONS REMOVALS PROGRAM:
PRODUCTION AND EQUIPMENT ITEMS

Note by the Secretary General

The enclosure, a French proposal for additional interim reparations removals, submitted by the French member of Committee No. 1, is circulated herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.

NELSON T. JOHNSON
Secretary General

C1-001/10

E N C L O S U R EINTERIM REPARATIONS REMOVALS PROGRAM:
PRODUCTION AND EQUIPMENT ITEMS

1. The French member of Committee No. 1 is hereby presenting, for the consideration of the Far Eastern Commission, the enclosed "A" and "B" lists of raw material, equipment, facilities and so on, to be made available for reparations, with a view to broaden the scope of the interim removal program.

2. Appendix "A" although non exhaustive, sums up the production items (plants, factories and establishments) in which the French Union is more particularly interested.

3. Appendix "B" deals, under the same conditions, with the possibility of removing certain equipment items which are now in use or in stock in Japan, and which are entirely lacking in the countries devastated by the war and the Japanese occupation (scarcity of means of transportation, whether by railroads, highways or waterways).

4. Another list, will later be set up and will deal with the removal of non durable consumer goods from the current production. The importance of these removals can only be determined when all the decisions concerning the level of Japanese peacetime economy have been taken.

APPENDIX "A"PRODUCTION ITEMS*

1. Plants and establishments primarily engaged in mining (this covers the whole mining industry).
2. Plants and establishments primarily engaged in textile manufacturing (this term covers all the phases of production)
 - a. rayon
 - b. cotton
 - c. silk
 - d. jute
3. Plants and establishments primarily engaged in wood-working.
 - a. complete installations for steaming and drying
 - b. complete installations for impregnation by pressure and void system
 - c. installations for the mechanical fabrication of compressed wood
4. Plants and establishments primarily engaged in the production of electric energy
 - a. hydro-electric power
 - b. thermal-electric power (x)
5. Plants and establishments primarily engaged in the production of pig-iron or steel ingots (x)
6. Plants and establishments primarily engaged in the production and processing of alumina, aluminium and magnesium. (x)
7. Plants and establishments primarily engaged in the manufacture of machine tools (x)
8. Mechanical Industry Plants
 - a. naval shipyards, military (x) and civilian (x)
 - b. aircraft factories and repairing plants (x)
 - e. plants and establishments primarily engaged in the production of railway equipment (stationary and rolling equipment)
 - d. plants and establishments primarily engaged in the manufacture of motor vehicles
 - e. plants and establishments primarily engaged in the manufacture of high precision tools (optical and industrial instruments, watches)
9. Ball and Roller-bearing Industry (x)
10. Plants and establishments primarily engaged in the manufacture of chemical products such as :
 - a. ammonium sulphate
 - b. calcium carbide and cyanamide
 - c. superphosphates

* Items included in this present list and which have already been definitively approved by the Far Eastern Commission are marked with an (x)

C1-001/11

7 August 1946

FAR EASTERN COMMISSION

COMMITTEE NO. 1: REPARATIONS

INTERIM REPARATIONS REMOVALS.
CEMENT MANUFACTURING EQUIPMENT

(Reference: C1-001/6; C2-005/3)

Note by the Secretary General

The enclosure, a proposal by the Netherlands member of Committee No. 1 with regard to interim reparations removals of cement manufacturing equipment, is circulated herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.

NELSON T. JOHNSON
Secretary General

C1-001/11

E N C L O S U R EINTERIM REPARATIONS REMOVALS:
CEMENT MANUFACTURING EQUIPMENT

The Netherlands Delegation offers the following proposals for consideration of the Far Eastern Commission:

1. That any cement manufacturing equipment which is available in excess of what is necessary for a production of 6 million tons per year should be made available for reparations.

2. That out of the remaining equipment a production capacity of 2 million tons be reserved either for the production for reparations in kind out of current production of 2 million tons of first grade Portland cement, packed in Kraft paper bags, for a period of 5 years or - in case this is for economic reasons not possible - for an additional reparations delivery of equipment to claimant countries.

3. That a body of special experts under the direction of the Supreme Commander be set up to investigate in detail the Japanese cement works and their equipment.

E N C L O S U R EINTERIM REPARATIONS REMOVALS:
CEMENT MANUFACTURING EQUIPMENT

The Netherlands Delegation offers the following proposals for consideration of the Far Eastern Commission:

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3. That a body of special experts under the direction of the Supreme Commander be set up to investigate in detail the Japanese cement works and their equipment.

APPENDIX

**DISCUSSION OF NETHERLANDS' PROPOSAL
WITH REGARD TO INTERIM REMOVAL OF CEMENT
MANUFACTURING EQUIPMENT**

It has been proposed by the United Kingdom (Cl-001/6) that the portion of Japan's capacity for the production of cement that is in excess of 6 million metric tons a year should be made available for claim.

Sub-Committee No. 2: Level of Economic Life, in its investigation of the merits of this proposal has had the benefit of a U.S. Clarification on the subject. The essence of this clarification is that present day's total production capacity is only 270,000 tons per month, or 3,240,000 tons per year, that after air-raid damage repair the 1947 capacity will be 370,000 tons per month or 4,440,000 tons per year, and that in 1949 the capacity will be 500,000 tons monthly or 6,000,000 per year. Further the clarification states that although it was previously believed on the basis of pre-war Japanese reports, that the Japanese production capacity stood at nearly 15,000,000 tons, recent information leads to the conclusion that this figure was based on statements as to the kiln capacity, which formed the official basis for allocation of coal to the plants. Further, that it is now admitted by the Japanese that these figures were excessively high, and were entirely out of line with capacity of grinding equipment and accessory installations.

On the basis of this U.S. Clarification the Sub-Committee endorses the U.S. conclusion that it does not appear that there is any capacity in excess of the 6,000,000 tons, proposed as a ceiling in the U.K. paper.

To this the Netherlands Delegation raises the following objection:

1. The ceiling of 6,000,000 tons.

a. It seems that there is no reason whatever to allow to Japan a production capacity which is far above normal requirements of Japan itself. Although it is true that, before the war, Japan exported cement to other countries, this export has never contributed on an appreciable scale to the solution of the Japanese

foreign exchange problem. In view of the very difficult coal position of Japan such an export would hardly be a paying proposition in the post war period. Protection of the Japanese export potential therefore is no valid reason to allow Japan an excess production capacity.

b. Pre-war requirements for the domestic market seem to have been between 3 1/2 and 4 million tons. According to the statistics underlying the Pauley-report domestic consumption reached a peak of 4,900,000 tons in 1940 and 1941, dropping to 3,150,000 tons in 1944 and below 1,000,000 tons during the first three quarters of 1945. Although no figures are available as to the use for war-purposes, included in these figures, it may be assumed that this use for war-purposes must have been considerable, especially in the years 1940-1944, but even so before 1940. Taking this into consideration a domestic consumption of 4,000,000 tons in normal times seems quite adequate. In case the level of economic life during the years 1930-1934 were taken as a basis this figure would even not exceed 3 1/2 million tons.

c. It may be argued that at the present moment and during several years to come the building industry in Japan will have to face the problem of rehabilitating the devastated areas and that for this purpose considerable quantities of cement will be required in excess to normal consumption.

To this could be replied that:

(1). Japan is not the only country which has to solve this problem. In all countries with considerable devastation the problem of repairing war damage to buildings, roads, etc, can only be solved if restrictions are being imposed on all normal use of building material. Rehabilitation should get a priority over normal use for up-keep, replacement a.s.o. The same system should be applied in Japan.

(2). It may be assumed that, if as much as 4 million tons are available for domestic use, this quantity contains sufficient margin for allowing a considerable "normal" consumption over the requirements for rehabilitation. Not only does this figure contain a considerable quantity for military use in pre-war and war years, which quantity can not be determined for lack of

statistical data, but apart from this it may be assumed that a considerable portion of the normal industrial use will fall out entirely. No building will take place of huge manufactories, blast furnaces a.s.o. The extension of the hydro-electric equipment, which before the war took several hundred thousands tons of cement yearly is being brought to a standstill.

(3). The rehabilitation capacity is certainly not dependent upon the quantity of cement only. There are many other factors which play an important role. As long as all these other factors are not at an optimal level - and such will for several years to come certainly not be the case - it seems unwise to base the policy with regard to the cement industry on the assumption that the building industry can absorb any quantity that is available. The experience in Japan will no doubt show, as has been shown in all other countries, that the rebuilding program should be extended over a very long period. It is therefore certain that a figure for domestic consumption of 4 million tons will give sufficient leeway for such rehabilitation requirements as will demonstrate itself as executable, provided the "normal" consumption is kept within reasonable bounds as is being done in all other countries which face the same problem.

d. For the production of 6 million tons of cement a quantity of about 2 million tons of coal is required. In normal times the allocation of coal to the Japanese cement industry amounted to approximately 1,300,000 tons or about 4 to 5 percent of the total Japanese coal production. All reports bear out that the coal mining industry is in a very bad state. It is highly improbable that in the next 5 years coal production will reach a figure of anything like the pre-war level. A very optimistic estimate would be 20 million tons as a stable and rational production after 5 years from now (as against a prewar peak of 45,000,000 tons inclusive of about 40 percent or 18,000,000 tons fostered by enormous State Subsidies). This would mean that 10 percent of this production should be reserved for the cement industry. The goal set for 1947 in the U.S. Clarification, viz. almost 4 1/2 million tons of cement will require a coal allocation to the cement industry of 1 1/2 million tons, being about 10 percent of the total

coal production which may be expected for the year 1947. An allocation of 10 percent of the total coal output to one branch of industry, viz. the cement industry, seems very unreasonable and out of proportion. Such an unrational allocation will most certainly not be in the interest of a well balanced industrial life in Japan. If we put the future Japanese coal production at 20 million tons a year, an allocation of 5 percent would make available to the cement industry 1 million tons, sufficient for the production of 3 to 3 1/2 million tons of cement, corresponding with the estimate for normal consumption under 1 b.

The ceiling of 6,000,000 tons, proposed in the U.K. paper and accepted by the Sub-Committee therefore seems too high for economic and technological reasons.

2. The Security factor.

Cement, although indispensable for normal civilian life and peacetime economy, becomes automatically a war material in times of war or in periods that the country prepares for war. This is clearly borne out by the facts as have been recorded in Japan and elsewhere. The cement industry is, as regards its adaptability for war purposes, of exactly the same character as f.i. the industry of rubber goods. Therefore, although its role in peacetime life is of such importance that it would have a disastrous effect upon the peacetime economy if it were struck out altogether, it should, for security reasons, be kept within such reasonable bounds that the potential danger which it represents be reduced as much as possible. Any excess in production capacity above a reasonable level for peacetime life therefore means the creation of an extra serious war potential.

3. The Production Capacity.

The U.S. Clarification evidently is based on Japanese information and not on independent expert investigation. Although official pre-war Japanese statistics have shown the total Japanese production capacity as 15 million tons, it is now accepted that this figure merely represents the kiln capacity and that the capacity of the grinding equipment and of the accessory installations was far less. It is now believed that the capacity never

exceeded 7 1/2 million tons and that this capacity has been further reduced by conversions to other industrial purposes and by bomb damage. This may be true to a certain extent, but no evidence seems to be available, nor is an explanation offered with regard to this really huge discrepancy. The Japanese cement industry had the reputation of being equipped in a very modern way. Of the 45 plants only a few were equipped with obsolete machinery.

Practically all seem to have been equipped with modern rotary kilns and other modern installations. It is of course quite possible and even probable that a number of plants have been converted to other industrial processes, but such conversion will in the first place have taken place in those manufactories as were equipped with obsolete machinery. It seems highly improbable that the majority, being equipped with modern installations, have been converted.

Evidently there is a great lack of factual data. The importance of the matter is such that it seems absolutely necessary to have a complete inventory drawn up by experts in order to ascertain what really is lacking in those installations which are now being reported as incapable of production. This seems the only way of acquiring a clear insight in:

- a. Which plants should be put aside for the domestic consumption.
- b. Which plants could, if this should prove necessary, be pieced together to form workable units.
- c. Which plants, or which parts of plants should be made available for reparations.

This seems the only way to investigate whether or not it will be possible to satisfy the demands for cement-equipment brought forward by several claimant countries. If the explanation given by the Japanese, viz. that there is a disparity between the kiln and the grinding capacity is true, there certainly is an enormous over-capacity of kilns and this over-capacity should at any rate be put at the disposal of countries interested in cement equipment.

The scanty information now available is inadequate for this purpose.

4. Special Considerations with regard to cement.

Careful consideration should be given to the urgent needs of the countries which have been the victims of the Japanese aggression. First priority, with regard to reparations, should be given to such equipment as can immediately be used for the rehabilitation of the regions devastated by the Japanese. This priority should be higher even in those cases that the Japanese have destroyed the equipment which is essential for producing the materials that are necessary for the rehabilitation.

Cement is one of the materials most urgently wanted. The devastated countries should have, after reasonable normal requirements of the Japanese economic life have been safeguarded, a priority to either the production or the production capacity. It would be highly unsatisfactory if Japan was allowed a quick rehabilitation and a quick return to normal economic life, whereas the devastated countries can not even start their rehabilitation program for lack of one of the most essential materials.

C1-001/12

16 September 1946

FAR EASTERN COMMISSION

COMMITTEE NO. 1: REPARATIONS

INTERIM REPARATION REMOVALS: STEEL ROLLING INDUSTRY

(Reference: SC-015/5 and SC-015/6)

Note by the Secretary General

1. At its twenty-ninth meeting, 10 September 1946, the Steering Committee unanimously agreed to refer SC-015/5, Interim Reparations Removals: Steel Rolling Industry back to Committee No. 1: Reparations for reconsideration.
2. The enclosure, a Chinese proposal for the revision of SC-015/5, is circulated herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.
3. The amendments proposed by the Chinese member of Committee No. 1 are underlined in the enclosure.

NELSON T. JOHNSON
Secretary General

C1-001/12

E N C L O S U R EINTERIM REPARATIONS REMOVALS: STEEL ROLLING
INDUSTRY

(Definition: Plants and establishments engaged in producing basic steel shapes, such as rails, rods, bars, tubes, plates, strips, sheets, and structural shapes, by rolling, drawing and extruding steel ingots.)

1. That portion of Japan's steel rolling capacity in excess of that required to produce a balanced annual output of 2,775,000 metric tons of rolled steel products should be made immediately available as reparations.

2. It is to be understood that the iron and steel works covered by the Interim Removals under FEC-059/14, "Iron and Steel Industry", taken together with the above "Steel Rolling Industry" will automatically include all plants and establishment which are physically and technologically a part of these iron and steel works designated for removal as reparations, such as coke oven plants, alloy steel plants, captive power plants and utilities, iron and steel foundry shops, repairing and machine shops, transportation and material handling facilities, slag cement plants if any, heat treatment equipment, inspection equipment, and chemical and metallurgical laboratories.

CI-001/13

19 September 1946

FAR EASTERN COMMISSION

COMMITTEE NO. 1: REPARATIONS

PROGRESS OF INTERIM REPARATIONS REMOVAL PROGRAM

Note by the Secretary General

The enclosure, a summary prepared by the Secretariat of action taken by the Supreme Commander for the Allied Powers to implement the interim reparations removal program, is circulated herewith for the information of COMMITTEE NO. 1: REPARATIONS.

NELSON T. JOHNSON
Secretary General

CI-001/13

E N C L O S U R EPROGRESS OF INTERIM REPARATIONS PROGRAM

Since the adoption by the Far Eastern Commission, during May and June, of the Interim Reparations Removal Program, the Supreme Commander for the Allied Powers has been engaged in designating and inventorying plants for removal as reparations in the industries concerned. The following is a summary of the action already taken so far as it can be gathered from information available to the Commission

AIRCRAFT FACTORIES, MILITARY AND NAVAL
ARSENALS AND RESEARCH LABORATORIES

FEC-059 provided for the removal of all facilities in military and naval arsenals and aircraft plants, subject to certain limitations as, for example, in the case of non-ammunition facilities. Under directives issued on 20 January (SCAPIN 629), 28 May (SCAPIN 987), 25 July (SCAPIN 1082), and 16 August (SCAPIN 1139), the Supreme Commander has taken into custody 378 aircraft factories, 91 military and naval arsenals, and 51 research laboratories. The preliminary inventory received recently covers 42 types of machinery reported in 135 of these aircraft plants. It is estimated that the 88,908 units listed represent approximately 70% of the equipment held in custody. The same 42 categories of equipment are shown for army and navy arsenals and the 53,375 units listed represent substantially 95% of the machinery in these installations.

No details have yet been received of the equipment contained in the research laboratories in custody. However, on 21 August, the Japanese Government was informed (SCAPIN 1146) that scientific laboratory equipment deemed suitable for reparations would shortly be selected for movement from present locations to warehouses to await final disposition. The directive contained a classification of scientific instruments and equipment considered suitable for reparations.

The present list of laboratories includes only those which formerly belonged to the Japanese Government. Later, laboratories associated with plants or factories designated for reparations may

may be examined and suitable equipment removed, though in cases where a laboratory is part of a plant or factory it may be left intact to go with such a plant or factory should it be moved as a unit.

MACHINE TOOL INDUSTRY

FEC-059/4 provided for the removal of that portion of Japanese capacity for the production of machine tools that is in excess of a balanced type-size aggregate of 27,000 units annually. On 13 August, 1946 (SCAPIN 1133) 90 plants were designated for removal under the interim reparations program. These plants have a machine tool inventory of approximately 17000 units and an annual capacity of approximately 27000 units representing 50% of the industry's capacity. The plants designated represent, primarily, companies most closely associated with the munitions industry including the larger Zaibatsu plants constructed after 1937. Completion of units for which major component parts are already manufactured will be permitted, but no manufacture of new machine tools will be permitted in these plants.

SULPHURIC ACID

FEC-059/4 provided for the removal of that portion of Japanese capacity for the production of sulphuric acid that is in excess of 3.5 million metric tons annually. On 13 August, 1946 (SCAPIN 1132) 24 contact sulphuric acid plants, having a designed capacity of 574,600 metric tons per year, were designated for removal under the interim program, reducing the capacity in the industry to 3,930,000 metric tons annually. Listed facilities will be permitted to operate until specifically chosen for reparations to prevent disruption of production of fertilizers, drugs and artificial sweeteners. However, a gradual shift will be required in the use of sulphuric acid facilities from designated units to equipment which the Japanese will retain. Detailed instructions on this point will be issued at a later date.

SHIPBUILDING

FEC-059/4 provided for the removal of all facilities located in naval shipyards and that portion of Japanese merchant shipbuilding capacity (for steel ships over 100 gross tons) in excess of that

necessary to build 150,000 gross tons annually and to service and repair a merchant fleet aggregating 3.0 million gross tons. It was also provided that two 20,000 ton drydocks should be retained for purposes of servicing foreign ships touching at Japanese ports.

On 13 August, 1946 (SCAPIN 1135) twenty privately owned and five naval yards were designated for removal under the interim program. The present program for construction and repair of vessels in listed shipyards will be continued in accordance with existing instructions. Capacities of shipyards selected are 1,270,000 gross tons annually in new construction and 2,880,000 gross tons annually in repair.

Preliminary reports show that these installations contain some 13,500 machine tools, 1453 cranes, hoists, derricks and towers and five floating dry docks with aggregate capacity of 30,800 metric tons. Equipment not considered suitable for reparations purposes includes 48 dry docks and 69 ways.

Capacities remaining in the 64 private shipyards not named for interim reparations are: new construction, 650,000 gross tons; repairs, 5,900,000 gross tons annually. Three docks of 20,000 ton capacity have been retained for emergency repairs on United Nations' vessels. The facilities being retained are substantially in excess of the Far Eastern Commission approvals because of the need for rebuilding the necessary minimum merchant fleet. Some further reductions in capacity of shipyards are anticipated.

BALL AND ROLLER BEARING

FEC-059/6 provided for the removal of that portion of Japanese capacity for the production of ball and roller bearings that is in excess of 32.5 million yen (based on 1943-44 average prices) per year. On the 14th of August (SCAPIN 1136) 32 plants, covering 90% of the industry's capacity were designated for removal. The preliminary inventory indicates that these plants have a capacity of 277.5 million yen and a machine tool inventory of 9500 units. The plants may continue to operate until actually removed but after 30 days are subject to immediate removal without additional notice. The two

remaining plants have a capacity of 33,000,000 yen annually (1943/44 prices) of practically every type and size of bearing needed in Japan.

IRON AND STEEL INDUSTRY

FEC-059/13 provided for the removal of that portion of Japanese capacity for the production of pig iron that is in excess of 2.0 million metric tons annually and that portion of steel ingot capacity in excess of 3.5 million metric tons annually. It was further provided that electric furnace capacity should be reduced to an aggregate of 100,000 metric tons annually. On 13 August (SCAPIN 1130) 22 iron and steel plants were designated for removal. The preliminary inventory indicates that these plants include 20 blast furnaces with aggregate annual capacity of 2,170,000 metric tons, 81 open hearth furnaces with aggregate annual capacity of 2,572,000 metric tons and 23 electric steel furnaces with aggregate annual capacity of 172,500 metric tons. Electrical producers of steel have not been listed because of their importance in steel production during the current coal shortage. As production of open hearth steel increases, electric furnace plants will be added to the list of designated plants.

THERMAL ELECTRIC POWER

FEC-059/13 provided for the removal of that portion of Japanese thermal electric generating capacity that is in excess of their requirements after the reduction of her industrial capacity in accordance with the remainder of the interim program. These requirements were tentatively estimated at 2.1 million kw. On 13 August, 1946 (SCAPIN 1131) 20 thermal electric power plants were designated for removal under the interim program. Details of these plants which have an aggregate total capacity of 1,323,200 kw. are given in the preliminary inventory. The Japanese Government has been directed to rearrange the dispatching of power loads in areas served by these plants so that each plant will be ready for immediate shutdown at the end of 60 days. Although no policy was established for the

ratio of removal of privately owned to public utility facilities, plants were selected entirely from public utilities, and tentatively represent public utility participation in the interim program. Privately owned power plants serving individual factories will be taken for reparations if the present factory is selected.

SODA ASH, CHLORINE, AND CAUSTIC SODA
INDUSTRIES

FEC-059/13 provided for the removal of that portion of Japanese capacity for the production of chlorine and caustic soda in electrolytic plants which is in excess of about 75,000 metric tons of chlorine and about 82,500 metric tons of caustic soda and that portion of soda ash capacity in excess of 630,000 metric tons. It was further provided that the removal of excess in soda ash capacity should be accomplished by seizure of one large modern soda ash plant, together with its integrated facilities for conversion of soda ash to caustic soda. On 13 August 1946, (SCAPIN 1129) one soda ash plant, 15 existing caustic soda plants and three under construction were designated for removal. The preliminary inventory indicates that these plants represent all the capacity provided for under the interim removal program. The soda ash plant designated for removal has a capacity of 201,600 metric tons per year and the remaining capacity amounts to 633,600 metric tons per year. The electrolytic caustic soda plants designated for removal have a total capacity of 181,080 metric tons per year and those remaining have a capacity of 85,420 metric tons. The designated plants will be allowed to process existing stocks of raw materials but will not receive new raw materials except in very exceptional cases. It is estimated that all designated plants will be shut down within three months.

PRIVATELY OWNED MUNITIONS PLANTS

FEC-059/15 provided for the removal of all privately owned munitions plants. On 13 August 1946 (SCAPIN 1134) 252 metal - working and 21 military explosive plants were designated for removal under the interim program. No plant concerned in the current

fertilizer program or in the manufacture of vitally needed industrial chemicals or explosives has been listed.

LIGHT METALS

FEC-059 provided for the removal of all facilities in the light metals industry except those engaged in re-melting light metal scrap into secondary ingot and rolling and drawing equipment sufficient to handle 15,000 metric tons per annum of fabricated aluminum. No SCAP directive has yet been issued owing to an error in the cable notifying the Supreme Commander of the Far Eastern Commission's decision but this error has now been corrected and a directive is expected shortly. The preliminary inventory lists 19 raw aluminum plants and 21 aluminum fabricating plants with a rated capacity of 58570 metric tons a year and a present capacity of about 52000 metric tons a year. Plants which fabricate both aluminum and copper, numbering 47, are listed separately and have rated capacities of about 150,000 metric tons a year both for copper and its alloys and for aluminum and its alloys. Present capacities are 128,348 and 90,548 metric tons a year respectively. Three magnesium chloride plants with rated capacity of 3,050 metric tons, and three refined magnesium plants with capacity of 3,900 metric tons are also listed. However, damage is estimated at 66.8% and present capacity of these plants is 1140 tons and 1200 tons respectively.

C1-001/14

24 September 1946

FAR EASTERN COMMISSION

COMMITTEE NO. 1: REPARATIONS

INTERIM REPARATIONS REMOVALS PROGRAM:
ACCESSORIES, PLANTS AND FACILITIES

(Reference: SC-015/5 and C1-001/12)

Note by the Secretary General

1. At its twenty-ninth meeting, 10 September 1946, the Steering Committee unanimously agreed to refer SC-015/5, Interim Reparations Removals: Steel Rolling Industry back to Committee No. 1: Reparations for reconsideration.

2. At the thirty-eighth meeting, 13 September 1946 of Committee No. 1, the Chinese member submitted a proposal (C1-001/12) for the revision of SC-015/5.

3. The enclosure, a substitute proposal by the Chinese for a separate paper, submitted at the thirty-ninth meeting, 23 September 1946, of Committee No. 1, is circulated herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.

NELSON T. JOHNSON
Secretary General

C1-001/14

E N C L O S U R EINTERIM REPARATIONS REMOVALS PROGRAM:
ACCESSORIES, PLANTS AND FACILITIES

The Far Eastern Commission considers that, under the Interim Reparations Removals Program, wherever plants and establishment to be made available for removal are described in terms of the productive capacity of their major components, the physical assets earmarked for removal shall automatically include a proportionate share of all accessory plants and facilities associated with the major components explicitly named, such as captive power plants, water, oil and gas systems, transportation, loading and unloading equipment, maintenance, testing, repairs, and development facilities, as well as dependent plants, insofar as such plants are physically associated with and economically dependent upon these major components and are not otherwise singled out under other categories in the Interim Reparations Removals Program. All technical and operational information, records and data for such plants and establishments should also be included.

CI-001/152 October 1946FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONS

REPARATIONS REMOVALS: ACCESSORY PLANTS AND FACILITIES
(Reference: SC-015/5; CI-001/12 and CI-001/14)

Note by the Secretary General

1. The enclosure, a revised draft of the Chinese proposal, CI-001/14, Interim Reparations Removals: Accessory Plants and Facilities, prepared by an ad hoc subcommittee of Committee No. 1 is circulated herewith for the consideration of COMMITTEE NO.

1: REPARATIONS.

2. At its 29th meeting, 10 September 1946, the Steering Committee unanimously agreed to refer SC-015/5, Interim Reparations Removals: Steel Rolling Industry, back to Committee No. 1 for re-consideration. At the 38th meeting, 13 September 1946, of Committee No. 1, the Chinese member submitted a proposal, CI-001/12, for the revision of SC-015/5. At the 39th meeting, 26 September 1946, the Chinese member submitted a substitute proposal, CI-001/14 Interim Reparations Removals Program: Accessory Plants and Facilities. The enclosure is a revision by a subcommittee comprising the United States and Chinese members appointed by Committee No. 1 to redraft CI-001/14.

NELSON T. JOHNSON
Secretary General

CI-001/15

ENCLOSUREREPARATIONS REMOVALS: ACCESSORY PLANTS & FACILITIES

Within categories of industrial capacity declared available for removal as reparations, specific plants and establishments designated for transfer to claimants should include those auxiliary facilities which operate as an integral part of the plant or establishment and whose output or use serves directly and is necessary to the operation of the capacity to be removed, except where such auxiliary facilities are themselves covered by separate reparations removal programs. All technical and operational information, records and data for such plants and establishments should also be included.

CI-001/16

5 November 1946

FAR EASTERN COMMISSION

COMMITTEE NO. 1: REPARATIONS

INTERIM REPARATIONS REMOVALS: TEMPORARY RETENTION OF
ELECTRIC STEEL FURNACES
(Reference: FEC-059/25)

Note by the Secretary General

1. The enclosure, a proposed policy for the temporary retention of electric steel furnaces designated for removal under the Interim Reparations Removal Program, prepared by Subcommittee No. 2, Level of Economic Life, of Committee No. 2: Economic and Financial Affairs, and amended by Committee No. 1 at its forty-seventh meeting, 4 November 1946, is circulated herewith for further consideration by COMMITTEE NO. 1: REPARATIONS.

2. At its forty-sixth meeting, 1 November, Committee No. 1 referred FEC-059/25, a United States proposal to revise FEC-059/20, Interim Reparations Removals: Steel Rolling Industry, to Subcommittee No. 2 of Committee No. 2. The Subcommittee recommended that FEC-059/20 should be left unaltered and that the enclosure should be adopted as a separate paper.

NELSON T. JOHNSON
Secretary General

CI-001/16

E N C L O S U R EINTERIM REPARATIONS REMOVALS: TEMPORARY RETENTION
OF ELECTRIC STEEL FURNACES

In view of the current coal shortage in Japan, electric steel furnaces in excess of the 100,000 metric tons annual capacity referred to in FEC-059/13, together with the rolling mill capacity integrated with such electric furnaces, may be retained in Japan up to 30 June 1947 to a maximum of an additional 300,000 metric tons annual capacity.

If before 30 June 1947 it should be the opinion of the Supreme Commander for the Allied Powers that, in order to meet the needs of the occupation, an extension of the period is necessary, he should furnish the Far Eastern Commission with a statement of his reasons so that a review of the position may be made.

The above policy should not postpone the designation of these facilities under the interim reparations removal program.

C1-001/17RESTRICTEDC1-001/1727 January 1947FAR EASTERN COMMISSION

REPLY BY THE SUPREME COMMANDER FOR THE ALLIED POWERS TO
REQUEST FOR INFORMATION ON INVENTORIES OF JAPANESE FACILITIES
SUBJECT TO INTERIM REPARATIONS REMOVALS

Note by the Secretary General

The enclosure, a letter enclosing a reply by the Supreme Commander for the Allied Powers to a request for information relative to inventories of Japanese facilities subject to interim reparations removals, is circulated herewith for the information of COMMITTEE NO. 1: REPARATIONS.

NELSON T. JOHNSON
Secretary General

C1-001/17

RESTRICTEDE N C L O S U R EREPLY BY THE SUPREME COMMANDER FOR THE ALLIED POWERS TO
REQUEST FOR INFORMATION ON INVENTORIES OF JAPANESE FACILITIES
SUBJECT TO INTERIM REPARATIONS REMOVALS

30 December 1946

Mr. Nelson T. Johnson, Secretary General
Far Eastern Commission
2516 Massachusetts Avenue, N. W.
Washington 8, D. C.

Dear Mr. Johnson:

Reference is made to your memorandum of 4 December 1946 to Mr. Daniel C. Fahey, and to this Division's reply of 17 December 1946, relative to inventories of Japanese facilities subject to interim reparations removals.

In response to a cabled inquiry, GHG SCAP has submitted the following information:

1. Aluminum fabricating plants have not been taken into custody as yet, and consequently no inventory has been made.
2. Inventories of privately owned munitions plants are near completion and will be incorporated into the inventories of arsenals and aircraft factories.
3. Inventories of synthetic oil and rubber plants are in process and will require 60 to 90 days for completion.
4. Adjustments pursuant to revised listings directed by SCAPINS 1127, 1258 and 1295 are kept current in Tokyo for inclusion in projected new catalogs.
5. The preliminary inventory of 6 July 1946 was intended for use as a guide only, and not as a definite statement of assets available for claim. Revised catalogs of the thermal power and machine tool industries will be available in January 1947. *Other catalogs are in process of revision and will be released industry by industry over the next 90 days.

Sincerely yours,

/s/ DANIEL NOCE
Major General, GSC
Chief, Civil Affairs Division

* Note by the Secretariat: The Civil Affairs Divisions informs us that the catalogs referred to here will be available to SCAP in Tokyo some time in January 1947, and will be forwarded in due course to the United States Government in Washington for circulation to FEC members.

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COPY NO. 121

CI-002

11 April 1946

FAR EASTERN COMMISSION

COMMITTEE NO. 1: REPARATIONS

REPORT OF RESTITUTION SUB-COMMITTEE

Note by the Secretary General

The enclosure, a proposed policy for restitution drafted by the Restitution Sub-committee, is forwarded herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.

NELSON T. JOHNSON
Secretary General

CI-002

CONFIDENTIAL

E N C L O S U R E

REPORT OF RESTITUTION SUBCOMMITTEE

1. It is recommended by the Subcommittee on Restitution that the Committee on Reparations approve and submit to the Far Eastern Commission for approval as the basis for a Directive to the Supreme Commander the following statement of restitution policy:

a. Restitution shall be made of ships of all types and sizes found in Japan and identified as having been registered in an Allied country at the time of seizure by the Japanese or their agents. On request of the claimant country ships damaged or sunk shall as a matter of priority be salvaged, repaired, or refitted, as may be necessary to permit their return in a condition substantially similar to that at the time they came into Japanese hands. The cost to the Japanese Government of necessary salvage, repair, and refitting shall be charged against the reparations account of the claimant country.

b. Restitution shall be made of industrial and transportation machinery and equipment found in Japan and identified as having been located in an Allied country prior to occupation of that country. The processing of claims under this policy shall not be permitted in general to delay removals of machinery and equipment on reparation account, but no item for which a restitution claim has been received by the SCAP shall be allocated on reparations account until the claim has been acted upon. On the other hand, claims for restitution of articles already allocated to particular countries on reparations account shall not be acted on either by the SCAP or the country to which allocated.

c. Restitution shall be made of gold, other precious metals, precious gems, foreign securities, foreign currencies and other foreign exchange assets found in Japan

CONFIDENTIALc. (Contd.)

identified as having been located in an Allied country at the time of occupation of that country.

d. In the case of all the classes of items included in paragraphs 1, 2, and 3 above, immediate steps should be taken to restore to Allied countries identifiable objects which were removed by fraud or duress by the Japanese or their agents during the recent conflict from areas occupied by Japanese armed forces at the time of removal. The fact that payment was made should be disregarded unless there is conclusive evidence that fraud or duress did not take place.

e. Restitution claims for property other than ships shall be made by the government of the Allied country from whose territory the property claimed was removed, and restitution made to that government. In the case of ships restitution claims shall be filed by, and restitution made to, the government of the country whose flag the vessels were wearing at the time of seizure.

f. No items shall be included in Japanese export programs which are subject to restitution as defined above. If items made subject to restitution should be exported for purchase, equitable compensation shall be made to the country to which the items exported should have been restituted.

2. It is recommended that the Committee on Reparations approve and submit to the FEC for appropriate action the following recommendations:

a. That the members of the Far Eastern Commission agree to advise their governments that, without prejudice to other arrangements which may be made between the interested parties, the foregoing restitution policies, especially those in paragraph 5, are not intended to give the Allied government concerned the right to withhold from a person who is a national of another Allied Power any property as to which he may establish a legitimate title.

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b. That representatives of member states of the Far Eastern Commission inform their governments of the foregoing statement of policy and advise the drawing up of bilateral arrangements with the governments of those countries whose territories were wholly or partly occupied by Japan for the restitution of looted objects covered by it, found within their jurisdiction, and claimed by Allied Powers.

c. That the statement of policy set forth above be transmitted through proper channels to countries other than those represented on the Far Eastern Commission in which looted objects covered by it may be found, with a suggestion that such countries undertake through bilateral arrangements to restore these objects.

3. The Subcommittee on Restitution wishes to suggest to the Committee on Reparations the following:

a. That the Committee in considering reparations policies provide that compensation for use of Allied resources in the production in Allied territory under Japanese occupation of goods of the classes included in paragraphs 1, 2, and 3 of the above policy, for removal to Japan or elsewhere, may be sought through reparations claims.

b. That in fixing reparations policies, consideration be given to the feasibility of a separate allocation of gold, other precious metals and precious gems available for reparations and found in Japan, but not identified for restitution purposes, to be based on the losses of these items reported by the various Allied countries for which compensation was not secured by the return of identifiable looted items.

CONFIDENTIALCOPY NO. 46CI-002/116 April 1946FAR EASTERN COMMISSIONCOMMITTEE NO. 1: REPARATIONSRESTITUTION OF LOOTED PROPERTYNote by the Secretary General

1. The enclosure, a proposed policy for restitution drafted by the Restitution Subcommittee, is forwarded herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.

2. The Restitution Subcommittee recommends that Committee No. 1 approve and forward to the Commission for approval the enclosure as an Allied policy on the subject.

3. Paragraphs 1-6 constitute the policy proper. Paragraphs 7, 8 and 9 constitute methods for implementing the policy through channels outside the purview of the U.S. Government and the Supreme Commander for the Allied Powers. Paragraphs 10 and 11 indicate relations between the restitution policy and the future reparations policy.

NELSON T. JOHNSON
Secretary General

CI-002/1

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ENCLOSURE

RESTITUTION OF LOOTED PROPERTY

1. Restitution shall be made of ships of all types and sizes found in Japan and identified as having been registered in an Allied country at the time of seizure by the Japanese or their agents. On request of the claimant country ships damaged or sunk shall as a matter of priority be salvaged, repaired, or refitted, as may be necessary to permit their return in a condition substantially similar to that at the time they came into Japanese hands. The cost to the Japanese Government of necessary salvage, repair and refitting shall be charged against the reparations account of the claimant country.

2. Restitution shall be made of industrial and transportation machinery and equipment found in Japan and identified as having been located in an Allied country prior to occupation of that country. The processing of claims under this policy shall not be permitted in general to delay removals of machinery and equipment on reparation account, but no item for which a restitution claim has been received by the Supreme Commander for the Allied Powers shall be allocated on reparations account until the claim has been acted upon. On the other hand, claims for restitution of articles already allocated to particular countries on reparations account shall not be acted on either by the Supreme Commander for the Allied Powers or the country to which allocated.

3. Restitution shall be made of gold, other precious metals, precious gems, foreign securities, foreign currencies and other foreign exchange assets found in Japan identified as having been located in an Allied country at the time of occupation of that country.

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4. In the case of all the classes of items included in paragraph 1, 2, and 3 above, immediate steps should be taken to restore to Allied countries identifiable objects which were removed by fraud or duress by the Japanese or their agents during the recent conflict from areas occupied by Japanese armed forces at the time of removal. The fact that payment was made should be disregarded unless there is conclusive evidence that fraud or duress did not take place.

5. Restitution claims for property other than ships shall be made by the government of the Allied country from whose territory the property claimed was removed, and restitution made to that government. In the case of ships restitution claims shall be filed by, and restitution made to, the government of the country whose flag the vessels were wearing at the time of seizure.

6. No items shall be included in Japanese export programs which are subject to restitution as defined above. If items made subject to restitution should be exported for purchase, equitable compensation shall be made to the country to which the items exported should have been restituted.

7. The members of the Far Eastern Commission shall advise their governments that, without prejudice to other arrangements which may be made between the interested parties, the foregoing restitution policies, especially those in paragraph 5, are not intended to give the Allied government concerned the right to withhold from a person who is a national of another Allied Power any property as to which he may establish a legitimate title.

8. Members of the Far Eastern Commission shall inform their governments of the foregoing statement of policy and advise the drawing up of bilateral arrangements with the governments of those countries whose territories were wholly or partly occupied by Japan for the restitution of looted objects covered by it, found within their jurisdiction, and claimed by Allied Powers.

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9. The statement of policy set forth above shall be transmitted through the U.S. Government to countries other than those represented on the Far Eastern Commission in which looted objects covered by it may be found, such as - - - - - , with a suggestion that such countries undertake through bilateral arrangements to restore these objects.

10. With respect to reparations policies, provision shall be made that compensation for use of Allied resources in the production in Allied territory under Japanese occupation of goods of the classes included in paragraphs 1, 2, and 3 of the above policy, for removal to Japan or elsewhere, may be sought through reparations claims.

11. In fixing reparations policies, consideration shall be given to the feasibility of a separate allocation of gold, other precious metals and precious gems available for reparations and found in Japan, but not identified for restitution purposes, to be based on the losses of these items reported by the various Allied countries for which compensation was not secured by the return of identifiable looted items.

CONFIDENTIALCOPY NO. 23 *m. Farley*C1-002/219 April 1946FAR EASTERN COMMISSIONCOMMITTEE NO. 1; REPARATIONSRESTITUTION OF LOOTED PROPERTYNote by the Secretary General

1. The enclosure, a proposed policy for restitution of looted property as redrafted by the United States member, is circulated herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.
2. Paragraphs 1-5 constitute the policy proper. Paragraphs 6, 7, and 8 constitute methods for implementing the policy through channels outside the purview of the U. S. Government and the Supreme Commander for the Allied Powers.
3. 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

C1-002/2

CONFIDENTIAL

E N C L O S U R E

RESTITUTION OF LOOTED PROPERTY

1. Immediate steps should be taken to restore to Allied countries identifiable objects in the three categories listed below which were removed by fraud or duress by the Japanese or their agents during the recent conflict from areas occupied by Japanese armed forces at the time of removal. The fact that payment was made should be disregarded unless there is conclusive evidence that fraud or duress did not take place.

a. Ships of all types and sizes found in waters which have been under the Japanese control and identified as having been registered in an Allied country at the time of seizure or sinking by the Japanese or their agents.

b. Industrial and transportation machinery and equipment found in territories which have been under Japanese control and identified as having been located in an Allied country at the time of occupation of that country.

c. Gold, other precious metals, precious gems, foreign securities, foreign currencies and other foreign exchange assets found in Japan or in countries under Japanese control identified as having been located in an Allied country at the time of occupation of that country.

2. Ships damaged or sunk and found in Japanese waters on the request of the claimant country shall as a matter of priority be salvaged, repaired, or refitted, as may be necessary to permit their return in a condition substantially similar to that at the time they came into Japanese hands. The cost to the Japanese Government of necessary salvage, repair and refitting shall be charged against the reparations account of the claimant country.

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3. The processing of claims for industrial and transportation machinery and equipment found in Japan shall not be permitted in general to delay removals of machinery and equipment on reparation account, but no item for which a restitution claim has been received by the Supreme Commander for the Allied Powers shall be allocated on reparations account until the claim has been acted upon. On the other hand, no restitution claim shall be recognized for articles already allocated to particular countries on reparations account.

4. Restitution claims for property other than ships shall be made by the government of the Allied country from whose territory the property claimed was removed, and restitution made to that government. In the case of ships restitution claims shall be filed by, and restitution made to, the government of the country whose flag the vessels were wearing or on whose register of shipping the vessels were borne at the time of seizure or sinking.

5. No items shall be included in Japanese export programs which are subject to restitution as defined above. If items made subject to restitution should be exported for purchase, equitable compensation shall be made to the country to which the items exported should have been restored.

6. Without prejudice to other arrangements which may be made between the interested parties, the foregoing restitution policies, especially those in paragraph 4, are not intended to give the Allied government concerned the right to withhold from a person who is a national of another Allied Power any property as to which he may establish a legitimate title.

7. The Far Eastern Commission recommends to the Governments of those countries whose territories were wholly or partly occupied by Japan and within whose territories may be found looted objects covered by this declaration of policy that bilateral arrangements be drawn up providing for restitution according to these principles.

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8. The Far Eastern Commission requests the U. S. Government to forward this statement of policy through the usual channels to States which are not represented on the Far Eastern Commission and within whose territories such looted objects may be found.

CONFIDENTIAL

COPY NO. 111

CI-002/3

24 April 1946

FAR EASTERN COMMISSION

COMMITTEE NO. 1: REPARATIONS
RESTITUTION OF LOOTED PROPERTY

Note by the Secretary General

1. The enclosure, a proposed policy for restitution of looted property as redrafted by the Chairman to take account of discussion at the eleventh meeting, 22 April 1946, of Committee No. 1 and to incorporate the paper on Restitution of Looted Cultural Objects, is circulated herewith for the consideration of COMMITTEE NO. 1: REPARATIONS.

2. Paragraphs 1-6 constitute the policy proper. Paragraphs 7,8, and 9 constitute methods for implementing the policy through channels outside the purview of the U. S. Government and the Supreme Commander for the Allied Powers.

3. 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

CI-002/3

CONFIDENTIAL

E N C L O S U R ERESTITUTION OF LOOTED PROPERTY

1. Immediate steps should be taken to restore to Allied countries objects in the three categories listed below which were found in Japan or in territories under Japanese control, which are identified as having been located in an Allied country at the time of occupation of that country, and which were removed by fraud or duress by the Japanese or their agents during the recent conflict. The fact that payment was made should be disregarded unless there is conclusive evidence that fraud or duress did not take place.

a. Industrial and transportation machinery and equipment

b. Gold, other precious metals, precious gems, foreign securities, foreign currencies, and other foreign exchange assets.

c. cultural objects

2. Immediate steps should be taken to restore to Allied countries ships of all types and sizes found in waters which have been under Japanese control, which are identified as having been registered in an Allied country at the time of seizure or sinking by the Japanese or their agents, and which were acquired by the Japanese or their agents by fraud or duress during the recent conflict. The fact that payment was made shall be disregarded unless there is conclusive evidence that fraud or duress did not take place.

3. Ships damaged or sunk and found in Japanese waters, on the request of the claimant country shall as a matter of priority be salvaged, repaired, or refitted as may be necessary to permit their return in a condition substantially similar to that at the time they came into Japanese hands. The cost to the Japanese Government of necessary salvage, repair, and refitting shall be charged against the reparations account of the claimant country.

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4. The processing of claims for industrial and transportation machinery and equipment found in Japan shall not be permitted in general to delay removals of machinery and equipment on reparation account, but no item for which a restitution claim has been received by the Supreme Commander for the Allied Powers shall be allocated on reparations account until the claim has been acted upon. On the other hand, no restitution claim shall be recognized for articles already allocated to particular countries on reparations account.

5. Restitution claims for property other than ships shall be made by the government of the Allied country from whose territory the property claimed was removed; and restitution made to that government. In the case of ships restitution claims shall be filed by, and restitution made to, the government of the country whose flag the vessels were wearing or on whose register of shipping the vessels were borne at the time of seizure or sinking.

6. No items shall be included in Japanese export programs which are subject to restitution as defined above. If items made subject to restitution should be exported for purchase, equitable compensation shall be made to the country to which the items exported should have been restored.

7. Without prejudice to other arrangements which may be made between the interested parties, the foregoing restitution policies, especially those in paragraph 5, are not intended to give the Allied government concerned ~~the~~ the right to withhold from a person who is a national of another Allied Power any property as to which he may establish a legitimate title.

8. The Far Eastern Commission recommends to the Governments of those countries whose territories were wholly or partly occupied by Japan and within whose territories may be found looted objects covered by this declaration of policy that bilateral arrangements be drawn up providing for restitution according to these principles.

9. The Far Eastern Commission requests the U. S. Government to forward this statement of policy through the usual channels to States which are not represented on the Far Eastern Commission and within whose territories such looted objects may be found.

CONFIDENTIALCOPY NO. 121C1-002/43 May 1946FAR EASTERN COMMISSIONCOMMITTEE NO. 1; REPARATIONS
RESTITUTION OF LOOTED PROPERTYNote by the Secretary General

1. The enclosure, a proposed policy for restitution of looted property, as revised by the Restitution Sub-committee of Committee No. 1 at its meeting, 2 May 1946, is circulated herewith for the consideration of Committee No. 1: Reparations.

2. Paragraphs 1-7 constitute the policy proper. Paragraphs 8,9 and 10 constitute methods for implementing the policy through channels outside the purview of the U. S. Government and the Supreme Commander for the Allied Powers.

3. 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

C1-002/4

CONFIDENTIALE N C L O S U R ERESTITUTION OF LOOTED PROPERTY

1. Immediate steps shall be taken to restore to Allied countries objects in the four categories listed below which were found in Japan or in territories under Japanese control, which are identified as having been located in an Allied country at the time of occupation of that country, and which were removed by fraud or duress by the Japanese or their agents during the recent conflict. The fact that payment was made shall be disregarded unless there is conclusive evidence that fraud or duress did not take place.

- a. Industrial and transportation machinery and equipment
- b. Gold, other precious metals, precious gems, foreign securities, foreign currencies, and other foreign exchange assets
- c. Cultural objects
- d. Agricultural products and industrial raw materials

2. Immediate steps shall be taken to restore to Allied countries ships of all types and sizes found in Japanese waters which are identified as having been registered in an Allied country at the time of seizure or sinking by the Japanese or their agents, or at the time of acquisition by the Japanese or their agents by fraud or duress during the recent conflict. The fact that payment was made shall be disregarded unless there is conclusive evidence that fraud or duress did not take place.

3. Ships damaged or sunk and found in Japanese waters, on the request of the claimant country shall as a matter of priority be salvaged, repaired, or refitted as may be necessary to permit their return in a condition substantially similar to that at the time they came into Japanese hands. The costs of necessary salvage, repair and refitting in Japan shall be borne by the Japanese Government but shall be applied against the reparations apportionment to the claimant country.