

that part of the Japanese industrial war potential over and above what is necessary for the maintenance of a peace-time economy.

10. Work of the Far Eastern Commission.

The Far Eastern Commission has devoted considerable time and effort to these tasks with only very limited success. In the first place a programme of interim reparations removals was drawn up, based on a preliminary survey of Japanese war industries and war-supporting industries. This programme called for the removal of those facilities which would obviously be in excess of Japanese peace-time requirements. A final reparations programme was to be drawn up later, after more exhaustive surveys of the Japanese economy had been carried out and peace-time industrial requirements had been more accurately estimated. This interim reparations removals programme was approved by the Far Eastern Commission by June, 1946; its implementation has been impossible, however, since member nations of the Far Eastern Commission have been unable to resolve the difficult problem of the division of shares. Deeming the relief of certain needy countries a matter of urgency, the United States Government finally by-passed the Commission in April, 1947 by issuing an interim directive to the Supreme Commander for the Allied Powers, providing for the removal of thirty percent of the available reparations assets to China, the Philippines, the Netherlands (for Netherlands East Indies), and the United Kingdom (for Burma, Malaya, and colonies). A copy of this United States directive, F.E.C. 216/1, is attached. It is expected that the limited removals permitted under this directive, in accordance with the interim reparations removal programme, will get under way shortly.

11. After drawing up the interim reparations removals programme mentioned above, the Far Eastern Commission approached the problem of reducing Japanese industrial war potential by endeavouring to determine Japanese peace-time needs in the various industries concerned. In this connection two policy decisions have been reached:

- (1) Assured production capacity levels for Japan: (F.E.C. 083/5, approved February 20th, 1947, copy attached).

This paper specifies interim production capacity levels for certain designated industries, to be maintained in Japan during the period of the occupation. Under this policy decision the Supreme Commander would be permitted to designate specific plants for retention in Japan so that the owners and management concerned could be assured that the production facilities in question would not be removed in any later reparations or disarmament programme.

- (2) Determination of the peaceful needs of Japan: (See Report on Commission Activities, Appendix 30)