

equipment and facilities or such Japanese goods as exist or may in future be produced and which under policies set forth by the Far Eastern Commission or pursuant to the terms of reference of the Far Eastern Commission should be made available for this purpose.

The reparations shall be in such a form as would not endanger the fulfilment of the programme of demilitarization of Japan and which would not prejudice the defraying of the cost of the occupation and the maintenance of a minimum civilian standard of living.

The shares of particular countries in the total sum of the reparations from Japan shall be determined on a broad political basis, taking into due account the scope of material and human destruction and damage suffered by each claimant country as a result of the preparation and execution of Japanese aggression, and taking also into due account each country's contribution to the cause of the defeat of Japan, including the extent and duration of its resistance to Japanese aggression.

It is proposed to support the payment of reparations from excess industrial capacity arising out of the industrial disarmament programme to be decided upon by the Far Eastern Commission. On security grounds alone, Japan should be deprived of the industrial plant in war-supporting industries which is surplus to her minimum peacetime requirements; there is already sufficient agreement in the Far Eastern Commission on what should be the nature and extent of these industrial removals to raise hopes that final agreement may be reached in advance of the peace treaty. A limited number of ships should also be surplus to Japan's requirements and available for reparations.

The chief remaining possible sources of reparations are Japanese assets located outside Japan, and current production. Japanese external assets should be made available for reparations. However, it is not considered that any reliance should be placed on reparations being received from current production. Indeed, any proposal for reparations from this source has grave implications in that it would almost inevitably lead to the building-up of Japanese industry to a level higher than is at present contemplated; it would involve detailed economic control of Japan for a long period; and it would be a most fruitful source of international discord in the future. The first charge on Japan's exports must in any case be to pay for essential imports, and in the present depressed state of the Japanese economy it is extremely dubious whether reparations from current production would be available for many years.