

REPARATIONS AGREEMENT with JAPAN

By Colonel Blas Alejandro, OS



HE long pending Japanese reparations agreement was finally ratified by the Philippines on 21 July 1956, almost eleven years after the end of World War II. The reparations proper consists of goods and services to be made available in an annual average (for the first 10-years) of the yen equivalent of \$25 million, and (for the second 10-years), the yen equivalent of \$30 million. The corollary ex-

change notes between Felino Neri, plenipotentiary of the Philippines, and Tatsunosuke Takasaki, plenipotentiary of Japan, on 9 May 1956, sanctions commercial credit facilities from Japanese private firms in the form of long term loans to Philippine private firms, up to the yen equivalent of \$250 million over the twenty-year period of the agreement.

The goods and services available to the Philippines under the repara-

tions agreement are classified as follows:

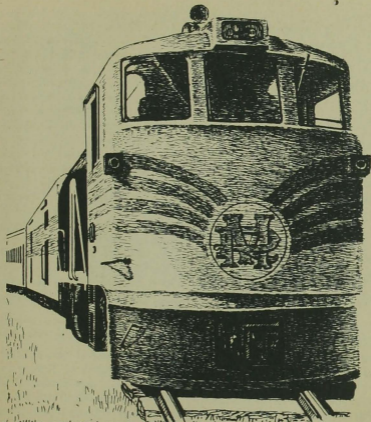
- A.1) Reparations in the form of capital goods, the total value of which will be so much in Japanese yen as shall be equivalent to .. \$500 million (US)
 - 2) Reparations in the form of services, the total value of which will be the yen equivalent of \$ 30 million (US)
 - 3) Reparations in the form of Philippine pesos, the total value of which will be the yen equivalent of \$ 20 million (US)
 - B.- Commercial credit facilities from Japanese private firms in the form of long term loans to Philippine private firms to help accelerate the economic development of the Philippines, up to the yen equivalent of \$250 million (US)
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- Total ... \$800 million (US)

For the implementation of the reparations agreement with Japan, the Philippine Senate passed S. Bill No. 520 during the Spécial Session; which stated the following:

"It shall be the policy of the Government of the Philippines to utilize all reparations payments procured in whatever forms from Japan under the terms of the Reparations Agreement between the Republic of the Philippines and Japan signed on May

9, 1956, in such manner as shall assure the maximum possible economic benefit of the Filipino people and in as equitable and widespread a manner as possible. To implement the policy declared . . . the procurement, disposition, and utilization of all goods and services procured from Japan under the terms of this Section shall be carried out as closely as possible to promote the economic rehabilitation and development of the country and in accordance with the broad program, criteria and priorities established by the National Economic Council, in addition to the following criteria:

"(a) *Capital Goods and Services.* — Pursuant to the policy declared . . . the capital goods and services received as reparations shall be made available to the approved government projects for each year included in the national economic rehabilitation and development program upon application from the agency concerned and duly endorsed by the proper department head concerned and the National Economic Council, as well as, to Filipino citizens and entities wholly owned by Filipino citizens, who will *themselves utilize such goods and/or services as bona fide producers or manufacturers; Provided, That the Government shall not procure or utilize reparations goods for the purpose of entering into business in competition with private indus-*



Heavy utilities equipment are among those listed in the reparations priority. Recently, the MRR ordered railway cars from Japan to improve its service.

tries, where such industries have shown their capacity and readiness to serve the public fairly and adequately."

The National Economic Council on its part proposed the following *Guiding Principles*:—

"1. Priorities and criteria approved by the NEC to promote economic rehabilitation and development.

2. Nation-wide distribution.

3. Preference to private pro-

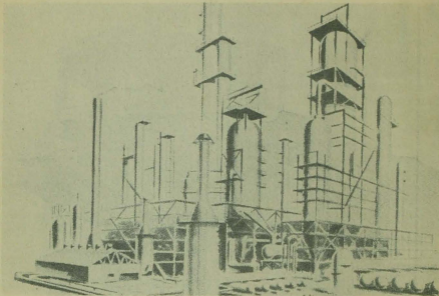
ductive projects and to transportation and power.

4. Distribution only to Filipino end-users.

5. Only capital goods as a rule to be procured.

6. Basis of procurement prices to be the prevailing export prices in Japan.

7. Reparations to be regarded as part of the Foreign Exchange Budget."



Local industries will also benefit from the reparations. Right now private establishments have standing applications for equipment and other goods essential for their operations.

Pending the creation by Congress of an office or body to carry into effect the reparations agreement between Japan and the Philippines, and the adoption by it of the policies, rules and procedures to be observed in the requisition and disposition of the reparations goods to be supplied by Japan, and in order to allow the widest possible participation of the different bureaus and departments of the government, the President instructed the National Economic Council to set up a Reparations Task Unit to consolidate, collate and recommend a list of equipment and supplies from among those requisitioned by the government entities.

The Task Unit was organized on 4 Sept. 1956 by the Office of Fo-

reign Aid, under the NEC, from among personnel of different offices "loaned" for this purpose. Within one week, the Unit was able to put together a proposed list which was shown to the President in consultation with the Council of State, for correction and/or approval. Upon receiving last-minute corrections, the final draft was rushed to Malacañang for approval by the President and the Cabinet. This was done on 12 September, the day before Tokyo Mission Designate Cesar Lanuza sailed for Japan. Again, the Task Unit worked over-time to put together 10 copies of the final Category I list, which after being signed by the Reparations Advisers Secretary Moreno, Captain Hizon and Colonel Chan-

co, were handed to Lanuza just before sailing time of the ship that carried him to Tokyo.

The publication of the First Year's list of reparations items raised some questions and complaints, especially from the civilian sector, due to the allocation of the \$14.5 million to government agencies exclusively. Civilian industrialists questioned the propriety of excluding the general public from the reparations payments; oblivious of the fact that there had not been enough time to gather and evaluate applications from qualified civilians. Most of the applications that had been received had come from civilians who had suffered damage or losses during World War II, and the claims they had submitted were in the nature of "war damages." Some applicants sent inquiries regarding the possibility of the redemption of Japanese war notes better known as "Mickey Mouse money." All these applicants had previously been "canvassed" in 1949-50, in connection with the survey conducted under the Quirino administration for the preparation of the reparations claims against Japan. Invariably, the applicants refer to the figures they had submitted to the then Secretary of Foreign Affairs, Joaquin Elizalde; or to President Quirino and/or his Cabinet members. The total amount of reparations presented to Japan at that time was \$8 billion, compared to the present amount of the approved reparations agreement which is only \$800 million including the \$250 million for industrial loans.

Without an implementing law to

lay down the policy and more specifically to promulgate the rules and regulations to be observed in the requisition and disposition of the reparations goods and services to be supplied by Japan; the Task Unit found it almost impossible to "process" civilian applications.

However, although Congress failed to pass the needed implementing Law during the last special session; the Senate introduced and passed S. Bill No. 520 which gives an indication of the intent of Congress regarding the policies and procedures to be followed. Using this as a guide, the Reparations Task Unit started the preliminary sorting of the resolutions and inquiries received for the allocation of reparations so that proper acknowledgements could be sent to the various applicants.

Senate Bill No. 520 provides that:

"Goods other than capital goods shall not be obtained from reparations except in cases where the inclusion of a minimal amount thereof in approved procurement lists of reparations goods may be found necessary in order that the aggregate amount of reparations goods and services to be delivered in any one year may reach the yearly average total of deliveries provided in the Reparations Agreement or in case where such goods may not be obtainable from normal sources of imports. Goods other than capital goods that may be procured from reparations as provided herein shall be limited to highly essential consumer goods and construction materials not

classified as capital goods. The total value and detailed listing of which shall be made by the Commission . . . approved by the President upon recommendation of the National Economic Council. Such goods shall be sold only by the National Marketing Corporation (NAMARCO) to bona fide retailers who are Filipino citizens or entities wholly owned by Filipino citizens who shall resell the same directly to *consumers* or *end-users*.

"In all transactions involving the transfer of capital goods and/or services from reparations to the authorized private parties specified in this act, the sale shall be directly to end-users and not through middle-men. The contract of sale shall bear the condition that no capital goods thus acquired shall be resold, leased or in any other manner disposed within five years from the date of acquisition except when the resale, lease or other disposition is to Filipino citizens or to entities wholly owned by Filipinos who shall continue utilization thereof in the projects for which the goods were originally intended or in similar projects included in the economic development program of a similar priority; subject, however, to the further condition that the resale, lease or other disposition is approved by the Commission, on good reasonable grounds, such as death or bankruptcy of the original buyers. (All contracts of sale of capital goods from re-

parations shall include the further condition that groups, associations, and corporations who are recipients of such goods shall not permit any subsequent change in ownership or control as shall at any time after change the control or ownership wholly held therein by Filipino citizens. It shall further contain a provision that any transfer of ownership, whether by virtue of a private contract or through court proceedings shall be to Filipino citizens or entities wholly owned by Filipinos who shall begin utilizing them in such projects as the National Economic Council shall determine, within one year from notice of the Council's decision. Goods other than capital goods procured as reparations under the provisions of the next preceding subsection shall be sold for *cash only* at prevailing market prices for similar goods.

"*Cash Payment.* — The twenty million dollars (\$20,000,000) cash payment shall accrue to a Trust Fund to be used exclusively for the benefit and rehabilitation of veterans of the Philippines during World War II and their widows and orphans as Congress may from time to time provide."

With the above wishes of Congress as stated in Senate Bill No. 520, for "guide-posts," the Reparations Task Unit started the classification of the numerous applications for reparations from civilians and private entities. These applications from the

civilian sector started pouring into Malacañang, the Foreign Affairs Department, and the National Economic Council as soon as the Reparations Agreement was signed. And they cover all fields of our economy, from the simple agricultural handtools requested by the Barrio Lieutenants Association of the Philippines (BLAP) to the complex manufacturing machineries requested by private industrialists. Indeed, a cross-section of the hundreds of applications that have been received by the NEC so far, could very well start the "integrated" agricultural-industrial development program of the President.

On October 17, 1956, Executive Order No. 208, creating an Interim Reparations Committee, was signed by President Magsaysay after consultation with leaders of Congress and his Cabinet. The purpose of the Executive Order is "to allow the widest possible participation by both the public and private elements of the country in the determination by the Govern-

ment of the second and succeeding years' schedule of reparations goods and services to be supplied by Japan; and so as to provide for a provisional body or agency to receive the reparations goods and services from Japan, pending the creation by Congress of an office or body to carry into effect the Reparations Agreement between Japan and the Philippines signed on May 9, 1956."

Executive Order No. 208 provides:

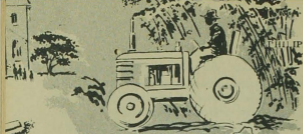
"SECTION 1. There is hereby created a Reparations Committee, hereinafter referred to as the Committee, composed of a Chairman and two members who shall be designated by the President of the Philippines.

"SEC. 2. The Committee shall have the following powers, functions and duties:

(a) To prepare the draft schedules for the second and succeeding years of the reparations goods and services to be requisitioned from Japan under the Reparations Agreement,



A high ranking officer of the AFP pin-points the location of sunken ships in connection with the operations of the Japanese salvage team. The services of the Japanese are part of reparations from the former enemy country.



which draft shall be submitted to the President of the Philippines through the National Economic Council reasonably in advance of the time required of our Government to submit the proposed schedule to Japan for the year involved.

b) To receive, process, evaluate and make appropriate recommendations to the President of the Philippines on the applications filed by Government offices and private parties for reparations goods and services that should be requisitioned from Japan, in accordance with the proposed draft schedule mentioned above.

(c) To receive, store and preserve, for such disposition as the proper authorities may eventually determine, the reparations goods and services to be supplied by Japan, a full inventory of which and the corresponding recommendations for their disposition are to be submitted to the President as soon as practicable.

(d) To draft and submit to the President of the Philippines for approval, within fifteen days from its organization, rules and regulations for the guidance of the public in regard, among other things, to the filing, processing and consideration of applications for reparations goods and services which rules and regulations are to be given the widest possible publicity.

(e) To work in close cooperation and consultation with the





Two Japanese inaugurate the start of salvaging operations with floral offering and ceremonial breaking of bottle of wine.

National Economic Council so that there may be a coordinated effort in the implementation of the national economic policies by making appropriate recommendations for a judicious selection and disposition of the reparations goods and services.

"SEC. 3. In the discharge of its duties and the promulgation of its rules and regulations, the Committee shall be guided by the following principles and considerations:

(a) Industries and activities determined by the National Economic Council as essential to the economic development of the country shall be given top priority in the requisition and disposition of reparations goods and services;

(b) Filipino citizens and cor-

porations or associations the capital of which is wholly owned by such citizens shall be given preference in the award of reparations goods and services;

(c) The economic feasibility of the projects and the capability of the applicants to make maximum uses of the goods and services involved shall always be taken into account.

"SEC. 4. The Committee is authorized to call upon any department, bureau, office, agency or instrumentality of the Government for detail of officials and employees and for such other assistance as it may need in the discharge and accomplishment of its tasks.

"SEC. 5. This order shall take effect immediately."