

CLAIMS OF NATIONALS OF THE UNITED STATES
AGAINST THE CHINESE COMMUNIST REGIME

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HEARING
BEFORE THE
SUBCOMMITTEE ON THE FAR EAST AND
THE PACIFIC
OF THE
COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES
EIGHTY-NINTH CONGRESS

SECOND SESSION

ON

S. 3675

AN ACT TO AMEND TITLE V OF THE INTERNATIONAL
CLAIMS SETTLEMENT ACT OF 1949 TO PROVIDE FOR THE
DETERMINATION OF THE AMOUNTS OF CLAIMS OF
NATIONALS OF THE UNITED STATES AGAINST THE CHI-
NESE COMMUNIST REGIME

SEPTEMBER 29, 1966

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CLAIMS OF NATIONALS OF THE UNITED STATES AGAINST THE CHINESE COMMUNIST REGIME

THURSDAY, SEPTEMBER 29, 1966

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEE ON THE FAR EAST AND THE PACIFIC,
Washington, D.C.

The subcommittee met at 10:10 a.m., in room 2255, Rayburn Building, Hon. Clement J. Zablocki (chairman of the subcommittee) presiding.

Mr. ZABLOCKI. The subcommittee will come to order, please.

We are meeting this morning in open session to receive testimony on S. 3675, a bill to amend title V of the International Claims Settlement Act of 1949.

Without objection, I will place in the record at this point the text of S. 3675, together with a statement submitted by the General Counsel of Treasury, and a letter from the National Foreign Trade Council, Inc.

(The documents referred to are as follows:)

[S. 3675, 89th Cong., 2d sess.]

AN ACT To amend title V of the International Claims Settlement Act of 1949 to provide for the determination of the amounts of claims of nationals of the United States against the Chinese Communist regime

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 501 of the International Claims Settlement Act of 1949 (22 U.S.C. 1643) is amended as follows:

(1) After "the Government of Cuba" at each place it appears in such section insert ", or the Chinese Communist regime,"; and

(2) After "since January 1, 1959," insert "in the case of claims against the Government of Cuba, or since October 1, 1949, in the case of claims against the Chinese Communist regime,".

Sec. 2. Section 502 of such Act (22 U.S.C. 1643a) is amended as follows:

(1) In paragraph (3), after "the Government of Cuba" at each place it appears insert "or the Chinese Communist regime"; and

(2) Add the following new paragraph at the end thereof:

"(5) The term 'Chinese Communist regime' means the so-called Peoples Republic of China, including any political subdivision, agency, or instrumentality thereof."

Sec. 3. Section 503 of such Act (22 U.S.C. 1643b) is amended as follows:

(1) After "the Government of Cuba" at each place it appears in subsections (a) and (b) thereof insert ", or the Chinese Communist regime,";

(2) After "since January 1, 1959," at each place it appears in subsections (a) and (b) thereof insert "in the case of claims against the Government of Cuba, or since October 1, 1949, in the case of claims against the Chinese Communist regime,";

(3) After "within sixty days after the enactment of this title" insert "or sixty days after the enactment of the amendments made thereto with respect to claims against the Chinese Communist regime,"; and

(4) After "carrying out its functions" insert "with respect to each respective claims program authorized,".

SEC. 4. Section 505(a) of such Act (22 U.S.C. 1643d) is amended by inserting before the period at the end thereof a comma and the following: "or the Chinese Communist regime".

SEC. 5. Section 510 of such Act (22 U.S.C. 1643i) is amended by inserting "with respect to each respective claims program authorized" after "carrying out its functions".

Passed the Senate September 6, 1966.

Attest:

EMERY L. FRAZIER,

Secretary.

STATEMENT OF MR. FRED B. SMITH, GENERAL COUNSEL, TREASURY DEPARTMENT

S. 3675 would amend title V of the International Claims Settlement Act of 1949 (22 U.S.C. 1643 *et seq.*), as amended by P.L. 89-262, to authorize the Foreign Claims Settlement Commission to initiate a claims adjudication program for American claimants against Communist China on the same basis as the Cuban claims program authorized in title V. Specifically, the bill would empower the Foreign Claims Settlement Commission to determine the amount and validity of claims against the "Chinese Communist regime", arising since October 1, 1949, for losses resulting from the nationalization or other taking of property of nationals of the United States in violation of international law and claims for disability or death also arising out of violations of international law by the Chinese Communist regime. The bill does not provide for the payment of any claim awards.

The Treasury Department supports the enactment of S. 3675. We favored the enactment of the Cuban claims title (except for the provision authorizing the vesting of Cuban Government assets) and the recent amendments thereto (P.L. 89-262) in the belief that it would be desirable to determine the amount and validity of American claims against Cuba arising out of the Castro nationalizations while the facts and witnesses necessary to support these claims are still available and the necessary records intact. The Treasury favors the enactment of S. 3675 for these same reasons. The nationalizations of American property in mainland China took place 15 years ago. This is reason enough to begin a claims program so that American claimants against Communist China can submit their claims to a formal adjudication process. We defer to the State Department on any aspects of this bill that may involve foreign relations or foreign policy.

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the Administration's program to the submission of this statement to your Committee.

NATIONAL FOREIGN TRADE COUNCIL, INC.,

New York, N.Y., September 29, 1966.

HON. THOMAS E. MORGAN,
*Chairman, Committee on Foreign Affairs,
House of Representatives, Washington, D.C.*

DEAR SIR: The National Foreign Trade Council, Inc. is in support of the purposes of S. 3675, passed by the Senate on September 6, 1966, amending title V of the International Claims Settlement Act of 1949. As you know, the Act establishes a procedure for adjudicating claims of American nationals against the Government of Cuba looking toward the time when a settlement can be made with Cuba to provide compensation for such claims. This bill would add claims against the Communist Chinese regime to those to be so adjudicated.

The Council believes that in any future negotiations relating to the settlement of the private claims of U.S. nationals against the Communist Chinese regime the Department of State should be in a position to take into account compensation awards in definite amounts which will have been adjudicated by the Foreign Claims Settlement Commission.

The timely adjudication of claims by an independent agency, while records and witnesses are available, is further reason for the proposed legislation. Even in the case of losses in Communist China, now some seventeen years old, the evidence can undoubtedly be presented better now than at some indefinite time in the future.

For the above reasons, the Council urges you and your Committee to give prompt and favorable consideration to S. 3675.

It is requested that this letter be made a part of the official record of any hearings which might be held concerning S. 3675.

Sincerely yours,

ROBERT M. NORRIS, *President*.

Mr. ZABLOCKI. Our witnesses from the executive branch are Dr. Edward D. Re, Chairman of the Foreign Claims Settlement Commission, and Mr. Richard D. Kearney, Deputy Legal Adviser of the Department of State.

After the subcommittee has finished its questioning of the executive branch witnesses, it will receive testimony from Mr. Kenneth B. Sprague, vice president for finance, American & Foreign Power Co.

Dr. Re, if you will proceed.

STATEMENT OF DR. EDWARD D. RE, CHAIRMAN, FOREIGN CLAIMS SETTLEMENT COMMISSION

Dr. RE. Good morning, Mr. Chairman.

Mr. Chairman and members of the subcommittee, I appreciate very much this opportunity to appear before the subcommittee in order to present the views of the Foreign Claims Settlement Commission on S. 3675, entitled "An act to amend title V of the International Claims Settlement Act of 1949 to provide for the determination of the amounts of claims of nationals of the United States against the Chinese Communist regime."

The bill, S. 3675, proposes amendments to title V of the International Claims Settlement Act of 1949, as amended, to include claims against the Chinese Communist regime.

Title V was added to the International Claims Settlement Act of 1949 by Public Law 88-666, approved October 16, 1964. Certain technical amendments were added to title V under Public Law 89-262, approved October 19, 1965.

This title now provides for the presettlement adjudication of claims of American citizens against the Government of Cuba for losses resulting from the nationalization, expropriation, intervention, or other taking of, or special measures directed against, property owned by nationals of the United States and for claims for disability or death resulting from actions taken by or under the authority of the Government of Cuba.

In effect, S. 3675 would provide for the same types of claims against the Chinese Communist regime arising since October 1, 1949. This would be accomplished by adding appropriate amendatory language to sections 501, 502, 503, 505, and 510 of title V which would apply equally to claims against the Government of Cuba and the Chinese Communist regime. The same would be true with respect to other sections of title V.

The present proposal which provides for the adjudication of claims against the Chinese Communist regime was within the general contemplation of the Congress at the time the International Claims Settlement Act was enacted in 1949, as were the Cuban claims. The enactment of this statute arose out of our growing concern regarding violations by Communist governments with respect to the adverse treatment of property owned by American citizens in those countries,

and the failure to compensate these owners. The need for this law, providing some measure of relief to American property owners, was apparent.

In some cases negotiations between the United States and certain Communist governments have resulted in claims settlement agreements whereby the expropriating government has agreed to pay the U.S. Government a lump sum in settlement for the losses suffered by U.S. citizens.

The first agreement of this nature was concluded with the Yugoslav Government under the Yugoslav Claims Agreement of 1948. The International Claims Settlement Act was enacted to implement this agreement by establishing a commission to adjudicate these claims and to provide certain adjudication procedures.

The act also provided the machinery necessary to adjudicate claims of American citizens included within the terms of any claims settlement agreement concluded thereafter between the Government of the United States and a foreign government.

Several weeks ago some of these agreements were discussed before the Subcommittee on Europe in connection with another bill which proposes to implement these agreements by amending titles I and III of the International Claims Settlement Act. It should be noted that such agreements were concluded after the completion of the claims programs previously authorized by the Congress.

According to information available to the Commission, the taking of American-owned property in China began in 1949, and after the outbreak of the Korean war the Chinese Communist regime assumed control of all U.S. property pursuant to a decree issued by that regime on December 29, 1950. No settlement of these claims has been made.

It is the Commission's opinion that the enactment of the program as proposed under S. 3675 appears to be the only orderly procedure to liquidate the damages sustained by American citizens who have suffered losses at the hands of the Chinese Communists.

The practical result in allowing a presettlement adjudication of these claims at this time is that all such claims will have been thoroughly investigated and determined, while witnesses, memories, and records are still available and reliable.

Historically, the Commission has learned from experience that long delays, in the initiation of claims legislation of this type, have a tendency to increase the burdens of adjudication. As a result of a more than reasonable lapse of time, which has typified a number of previous claims programs, many claims have been found difficult to substantiate, either by reason of the unavailability of records or witnesses, even when the claimant or the Commission had access to the foreign countries. The difficulties are more apparent in countries such as Czechoslovakia and Hungary where there was a total lack of cooperation or access to documents and witnesses.

Claimants under this proposed program already have waited some 16 years for determination of their claims. Further delay seems unreasonable. If enacted now, claims will be presented by those who sustained the losses and deprivations rather than by their survivors.

Moreover, immediate action on the bill with respect to claims adjudication, will facilitate a more orderly and economic administration of the program. The Commission presently is winding up its

large war claims program. This will result in the loss of many staff personnel experienced in handling claims.

May I set forth the specific date for the statutory termination of that program: it is May 17, 1967.

Therefore, it also seems practical to dispose of these claims at a time when we have competent lawyers and supporting staff rather than to delay enactment of the bill, thereby requiring the training of new personnel.

The precedent for the adjudication of claims without payment was established under the Lake Ontario program as authorized under Public Law 87-587, approved August 15, 1962, where the purpose was to determine the validity and amount of damages suffered by certain American citizens who own property on the southern shores of Lake Ontario. No provision was made for any payment.

This program was suspended, however, upon the signing of an agreement with Canada on March 25, 1965, whereupon such claims were eventually transferred to an International Arbitral Tribunal established under the terms of the agreement. It should be noted that upon the enactment of the legislation providing for this program, negotiation with the Canadian Government was contemplated. However, certain advantages were gained regarding the early presettlement adjudication of these claims.

Following the precedent established under the Lake Ontario program, the Congress enacted legislation providing for the adjudication of claims against the Government of Cuba. However, no provision was made for the payment of these claims.

At the conclusion of the Cuban program, the Commission will know precisely the value of the property that has been taken. It will no longer be a mere estimate of claim or allegation. There will be a determination that the Commission has found that the property was worth a specific sum. The same would apply to the Chinese claims if S. 3675 is enacted into law.

The nationality requirements of claimants under title V are similar to those under other titles of the act in that such claims must have been continuously owned by nationals of the United States from the date of loss. This provision follows established international law principles which, when applicable, have been applied in all adjudications before the Commission. These requirements would also be applicable to claims under the proposed bill.

Section 503 of title V of the act provides a maximum filing period of 18 months to begin running 60 days after enactment of this title or of legislation making appropriations to the Commission for the payment of administrative expenses incurred in carrying out its functions under this title, whichever date is later.

The bill, S. 3675, proposes a similar filing period with respect to claims against the Chinese Communist regime as well as a 3-year maximum settlement period which would commence after the enactment of the bill.

It is not possible at this time to ascertain the number of potential claimants that will be benefited by the enactment of this proposed measure or the amount of losses. Based on war damage records available to the Commission relative to its claims program under title II of the War Claims Act of 1948, as amended, it is possible that

there may be as many as 2,500 potential claimants, or more. The administration of claims programs comparable to the one proposed under S. 3675 have cost approximately \$1 million. Consequently, the Chinese program is estimated to be comparable in cost.

The enactment of S. 3675 would provide an orderly procedure under which claims of nationals of the United States against Communist China may be filed and determined while current records and witnesses are still available. Inasmuch as there is presently no remedy available to U.S. nationals for actions taken by the Chinese Communist regime for their losses, the Commission is of the opinion that there is a necessity for this legislation and, therefore, favors its enactment.

Mr. ZABLOCKI. Thank you, Doctor.

We will now hear Mr. Kearney.

**STATEMENT OF RICHARD D. KEARNEY, DEPUTY LEGAL ADVISER,
DEPARTMENT OF STATE**

Mr. KEARNEY. Thank you, sir.

Mr. Chairman, members of the subcommittee, I am happy to appear before the subcommittee to present the views of the Department of State on S. 3675, a bill which was passed by the U.S. Senate to amend title V of the International Claims Settlement Act of 1949 to provide for the determination of the amounts of claims of nationals of the United States against the Chinese Communist regime.

Title V of the International Claims Settlement Act of 1949 authorizes the Foreign Claims Settlement Commission to receive and determine certain claims of American nationals against the Government of Cuba. S. 3675, if enacted, would extend the jurisdiction of the Foreign Claims Settlement Commission to receive and determine various claims of nationals of the United States against the Chinese Communist regime including claims for the taking of property and for disability or death.

The Department of State supported title V of the act. It is also in favor of S. 3675 as passed by the Senate.

The basic purpose of S. 3675 is to obtain information concerning the amounts and validity of claims of American nationals against the Chinese Communist regime. It does not authorize an appropriation for the payment of claims.

There is merit in determining the claims of these nationals now, while records and witnesses may still be available. Such information will be extremely valuable to the Department when a settlement of the claims becomes feasible.

The Department cannot predict, of course, when or in what manner these claims against the Chinese Communist regime will eventually be settled. Nevertheless, the Department is seriously concerned about losses which American nationals have suffered because of the actions of the Chinese Communist regime and believes that all measures should be taken to safeguard their claims. The bill is in accord with the foreign policy objectives of the United States.

Accordingly, the Department of State supports S. 3675 in the form it is before the subcommittee.

Mr. ZABLOCKI. Thank you, Mr. Kearney.

Dr. Re, you estimate the cost to adjudicate the claims which the Foreign Claims Settlement Commission would be authorized to adjudicate, under authority of S. 3675, to be \$1 million. This estimate is on the basis that the potential claimants will number about 2,500. How would this be funded?

Dr. RE. This would require an appropriation in the same manner as the appropriation for the Cuban program.

Mr. ZABLOCKI. Then, no additional authorization is required. How much of an appropriation for the Cuban program did you request?

Dr. RE. We are requesting for the coming fiscal year for the Cuban program \$110,000, Mr. Chairman.

Mr. ZABLOCKI. What would you estimate your request for the first year would be should this legislation be acted upon favorably?

Dr. RE. I don't have an estimate at this time because I do not know when the program would start. It is for that reason that I gave an overall estimate for the entire duration of the program.

Mr. ZABLOCKI. Dr. Re, the committee report on the 1965 Cuban claims legislation report contains the following sentence, and I quote:

Because the extent and nationality of foreign creditors and shareholder interests and claims presented by corporations which qualify as nationals of the United States may be pertinent to claims adjudicated under this Act, the Foreign Claims Settlement Commission should ascertain so far as possible the amount and nationality of any foreign creditor or shareholder interests involved in claims filed by such corporations which were expropriated or taken over by Castro.

This information will in all probability be very necessary when the Congress ultimately faces the decision as to allocation of any funds which become available in the future to pay awards. Can you tell the committee what steps the Commission has taken to comply with the request contained in the committee report on the Cuban claims legislation?

Dr. RE. Mr. Chairman, we are of course familiar with that language and we are administratively doing everything feasible to comply with the request contained in the statement. That is something that can be done administratively.

Mr. ZABLOCKI. Will you be able to provide the Congress with information as to the foreign shareholders' interest and the foreign creditor interest in each corporate claim certified by the Commission under the Cuban claims program?

Dr. RE. I believe we can.

Mr. ZABLOCKI. You will be able to do the same for each corporate claim under the China program if it is approved by the Congress?

Dr. RE. I believe we can.

Mr. ZABLOCKI. Do you believe that you have all the statutory authority needed to develop this information?

Dr. RE. I believe we do.

Mr. ZABLOCKI. Mr. Kearney, what is the significance of the October 1, 1949, date in section 3(2)?

Mr. KEARNEY. The October 1, 1949, date was selected because it was only after that date that the Chinese Communist regime began to nationalize and take American property. This is the cutoff date by which we can determine that from that time on there were takings of American property by the regime on the basis of all the information we have.

Mr. ZABLOCKI. As I understand it, Mr. Kearney, this legislation does not involve any appropriation to pay American claimants. How will these claims eventually be paid?

Mr. KEARNEY. Mr. Chairman, we cannot determine at this time how these claimants will be paid. But we are confident that at some stage in the future there will be a Chinese government with which we will be able to deal and with which we will be able to negotiate a claims settlement for all this property which was taken. When this will come about, of course, depends upon so many factors that there is no way of making any estimate as to time.

As a matter of prudence, because we don't know how long it will be before we will be in a position to negotiate, it seems essential that while the evidence to establish these claims is available, that an adjudication of the claims be made so that when this time in the future does arrive we will be in a position to have available all the facts collected by the Commission and be in a position to conduct a good and competent negotiation.

Mr. ZABLOCKI. Mr. Kearney, do you agree with Dr. Re's estimate of approximately 2,500 as the total number of American claims against the Chinese Communist regime?

Mr. KEARNEY. I would say that I think Dr. Re's estimate is as good a one as can be made, because it is based upon analogy to previous programs.

There has never been any census taken of the Chinese claims. A number of them came into the Department but these were relatively few because there was never any request for claims to be submitted. So I think the best approach to estimating the number has to be by analogy, and therefore I would say this figure of 2,500 is the best we could obtain, yes, sir.

Mr. ZABLOCKI. At any rate, Mr. Kearney, in settling American claims you don't anticipate that the Congress will be asked to appropriate money to pay the claimants?

Mr. KEARNEY. Mr. Chairman, I think it would be rather difficult to say that I had any assurance that no claimant would ever approach Congress and ask to be paid. This is possible. I don't know of any approaches, for example, that have been made with respect to the Cuban claims for payment by applicants, and that has been in effect for some time.

Mr. ZABLOCKI. But no Cuban claimant has been paid either.

Mr. KEARNEY. No Cuban claimant has been paid. They are in somewhat the same situation as the Chinese claimants. We don't know whether we will have a Cuban government—

Mr. ZABLOCKI. This will be a question that likely will be asked of the committee when the legislation is on the floor.

If a claim is established and adjudicated, and cannot be paid because a successor government in China said that they have no responsibility or obligation to pay the claim, the claimant might still expect to have his claim honored. Would you anticipate that under these circumstances there may be a request for the U.S. Government to pay such outstanding claims?

Mr. KEARNEY. I find it hard to speculate on this point, considering the number of people who will be involved.

I will say this, Mr. Chairman. It has been the unvarying position of the executive branch of the U.S. Government to oppose paying

claims of this character out of appropriated funds. I will say that insofar as the disposition of the Executive is concerned we will continue to oppose any attempts to obtain such appropriations.

Mr. ZABLOCKI. May I suggest that we recess for 5 minutes so that the members of the subcommittee can answer the quorum call.

(Short recess.)

Mr. ZABLOCKI. The subcommittee will come to order and resume the hearings.

Mr. McDowell.

Mr. McDOWELL. Mr. Chairman, not having been here, unfortunately, at the beginning of the hearing, if the information I am seeking has already been put in the record simply say so and we will skip on to something else.

I notice on page 5 of Mr. Re's testimony you refer to the situation within the Commission at the present time, that the volume is falling off and that unless this legislation is adopted by the Congress you may have to lose some of your staff personnel.

Could you give us a little more information with regard to the staff?

Dr. RE. Yes, sir. I did mention that the Commission is presently working on the large war claims program. That program has approximately 23,000 claims. That program will come to an end on May 17, 1967. At that time it is true that the Commission will have to separate a large segment of the staff, even though we are now also administering the Cuban program. The Cuban program is clearly not as large.

There is absolutely no relationship between the separation of the staff and this Chinese bill.

I did say, however, that if this bill were to be passed it would mean that we would have available an experienced staff that could be used in administering this particular program also. But there is absolutely no relationship between the two, other than the fact that there is presently a staff that is experienced and can be utilized.

Mr. McDOWELL. Then you are suggesting that the staff could go ahead and adjudicate what you estimate to be approximately 2,500 claims that might be involved here, even though the final settlement of these claims might be years in the future?

Dr. RE. Yes, sir. As we have said, this will do no more than add the Chinese Communist regime to the Cuban program that we are presently administering.

There is a precedent for this type of presettlement adjudication. The first example dealt with a program involving Canada, which was the Lake Ontario program. The second truly interesting example was the Cuban program. This bill in effect would add Communist China to the Cuban program that the Commission is presently administering.

Mr. McDOWELL. That is all.

Mr. ZABLOCKI. Mr. Broomfield?

Mr. BROOMFIELD. Dr. Re, what are the total claims involved in the China bill?

Dr. RE. I have indicated that the best estimate we could make would give us a number of approximately 2,500 or perhaps more.

As Mr. Kearney has very correctly indicated there is no census that has been taken to which we could look for guidance. Therefore

we could only speak by analogy to prior programs. The very best figure that the Commission could come up with is 2,500 or more.

Mr. BROOMFIELD. What would be the total amount?

Dr. RE. We would have no idea there. We were able to estimate the Cuban claims a little better. We, there, came up with a figure of perhaps a billion and a half, something around that figure.

Mr. BROOMFIELD. Haven't you been using a figure of around \$56 million?

Dr. RE. Not the Commission.

Mr. BROOMFIELD. I have a couple of other questions. I am wondering why this bill is so late coming to our committee for consideration.

Dr. RE. I have no idea, sir.

Mr. BROOMFIELD. Do you know when the Senate passed the bill?

Dr. RE. This is not an administration bill. We are merely giving our views as to the bill.

Mr. BROOMFIELD. You are in support of it?

Dr. RE. Yes; we are in support of the content of the bill but we are not familiar with the manner in which it was brought to the attention of the subcommittee.

Mr. BROOMFIELD. Are there any advantages to the companies involved in the adjudication of these claims as far as a tax advantage or anything of that nature is concerned?

Dr. RE. Well, sir, I am not prepared to discuss tax advantages or other advantages other than to say that there is an advantage accruing to all claimants in knowing precisely what the amount was, and those advantages stemming from the availability of witnesses, records, and testimony. In other words, there is an advantage in knowing exactly what was the value of the property taken from you.

As for the appropriation of funds, which is a question that the chairman asked before we recessed, Mr. Kearney has already indicated, and I think I did also in my testimony, that there is absolutely no provision here for an appropriation. As a matter of fact, I wonder if I may read the phraseology of the last sentence of section 501 of the Cuban claims bill that we are now administering.

Section 501 of the Cuban bill concludes as follows:

This title shall not be construed as authorizing an appropriation or as any intention to authorize an appropriation for the purpose of paying such claims.

So if any claimant deems himself misled by the enactment of this legislation he surely cannot find comfort in the phraseology of the statute.

Mr. ZABLOCKI. If the gentleman would yield, what Mr. Broomfield was trying to establish, I believe, is that if a claim is adjudicated, does the claimant then have some preferred status as far as tax benefits if he is not paid?

Mr. BROOMFIELD. I think this is an important question. I see nothing wrong in it. It is just a matter of finding out what is the advantage other than the fact that these things have been going on now for 16 years. I think it is strange to me that it hasn't been done long before this. Sixteen years is an awful long time to wait to have these adjudicated. There must be some advantage to the claimants to have this done. That is all I am trying to find out. What is the reason for it?

Mr. CAMERON. If it was my client I would have written it off. I would have taken credit.

MR. BROOMFIELD. In these cases have they been written off?

MR. CAMERON. I would be surprised if they hadn't been.

MR. BROOMFIELD. What is the purpose?

DR. RE. In all likelihood they have been written off. But I just wanted to convey the thought that I would not be the authoritative witness to reply to that question.

MR. ZABLOCKI. Mr. Cameron.

MR. CAMERON. What about North Korea? Why has there never been a bill for confiscations in North Korea, expropriations? There must be some U.S. nationals who have had some losses there.

MR. KEARNEY. I would feel quite sure there are. Again I do not know because neither this nor the Cuban bill was part of the administration's legislative program. I would suppose that the interests concerned; that is, the claimants who are really the moving force behind this legislation—

MR. CAMERON. Wouldn't the Department be wise to have a policy of just automatically adjudicating anything for expropriated property to protect the interests of American nationals?

MR. KEARNEY. That may be a very good suggestion, sir. We will study that.

MR. CAMERON. It seems silly to have to come in 16 years after the fact. If the property is expropriated let's get on the record and get the claims established forthwith rather than waiting for this protracted period.

MR. ZABLOCKI. Would the gentleman yield?

Under the Foreign Assistance Act I think any expropriation or nationalization of American property at the present time would be adjudicated immediately. The legislation provides that if any foreign country receiving aid expropriates property, aid will be cut off.

MR. CAMERON. The loss exists, and everybody would recognize under the act that the loss exists and would invoke that provision. But you wouldn't necessarily adjudicate the amount of the loss, would you, Mr. Chairman?

MR. ZABLOCKI. They might have to adjudicate the amount of the loss in order to determine that there was a loss.

MR. CAMERON. I think this is a subject matter the committee ought to take up. Let's not do it this session. Let's do it in the 90th Congress.

What is your feeling here, Dr. Re? I know we only allow 60 days for claimants to make a claim with the Commission under this.

DR. RE. That will be the commencement of the program. Under the Cuban bill, for example, and this would be comparable to it, the filing period would be a year and a half. Claimants have a year and a half within which to file. Thereafter we have 3 years in which to complete all the adjudication—

MR. CAMERON. That is not the way I read this in the committee report, the Senate report. It says the 18-month figure with respect to Cuba and then it says—the amended language—

or sixty days after enactment of the amendment made thereto with respect to the claims against the Chinese Communist regime.

The 18 months has already run in the Cuban deal.

DR. RE. This will give us 18 months from the time that this legislation is enacted, or the appropriation for it is provided, whichever time is later. I think I mentioned—

Mr. CAMERON. Would you agree with that, Mr. Kearney?

Mr. KEARNEY. That was my understanding.

Mr. CAMERON. Why does it say 60 days in here? It says 60 days after the enactment of the amendment made thereto, and so on.

Dr. RE. It is to begin running from the 60 days. But then there is an 18-month filing period.

If the Congressman will permit, I can repeat the testimony I gave previously on the filing period. Section 503 of title V of the act provides a maximum filing period of 18 months to begin running 60 days after enactment of this title or of legislation making appropriation to the Commission for the payment of administrative expenses incurred in carrying out its function under this title, whichever date is later.

In effect, sir, this adds Communist China to the Cuban bill and it would be done the same way.

Mr. CAMERON. I see. You could not receive claims until 60 days after you filed in the Federal Register, and that would be after enactment of the legislation and then you have 18 months——

Dr. RE. Precisely.

Mr. CAMERON. The only notice to claimants would be as a result of a filing in the Federal Register and whatever public information——

Dr. RE. We do give out a good deal of public information.

Mr. CAMERON. In your report, Dr. Re, in your statement with respect to ownership of the claim indicating that the ownership must be continuous from the time of expropriation to the time of claim, there is no inhibition as to hypothecating the claim as long as you maintain ownership in the claim, is there? I theoretically have a million dollar claim. I borrow, using that as collateral; that doesn't hinder the claim?

Dr. RE. If you have continuously held the claim you are entitled to an award.

Mr. CAMERON. On the Yugoslav deal, the Yugoslav one is behind us, was there a program for the U.S. Government to recover its costs in that claim?

Dr. RE. In the Yugoslav claims? In the Yugoslav claims program, like most of the international claims programs, the administrative costs came out of the fund itself, which meant that the administrative costs were not borne by the American taxpayer.

Mr. CAMERON. In this case we assume we are going to need another million dollars to handle this claim. Is it provided herein if and when the claim is paid we will get our million dollars off the top?

Dr. RE. That is not expressly set forth in the legislation.

Mr. KEARNEY. When we finally reach a settlement on the Chinese claims sometime in the future we will then have to come back to Congress for authority to disperse the money in accordance with the adjudication of the Commission and at that time provision can be included with respect to the administrative costs.

Mr. CAMERON. Wouldn't it have been preferable to include it in the beginning so there would be no question in the claimant's mind?

I recognize the difficulty of amending this bill at the present time and getting it through the current session. But it seems to me that is kind of sloppy writing to begin with.

Mr. KEARNEY. We are not responsible for this aspect of it. I suppose perhaps it might have been influenced somewhat by the fact that the time of a settlement is so highly indefinite.

MR. CAMERON. There was no such language in the Cuban bill either, was there?

MR. KEARNEY. No.

MR. CAMERON. Thank you, Mr. Chairman.

MR. ZABLOCKI. Mr. Whalley.

MR. WHALLEY. Thank you, Mr. Chairman.

DR. RE, from past experience what would these companies expect—what percentage? You have had some experience in other countries. For instance, American & Foreign Power says a \$60 million investment here. Is it 5 percent, 10 percent, 30 percent?

DR. RE. It has varied widely, anywhere from 2 percent to full recovery. It has varied. You cannot speculate as to what they may expect.

At this particular point I presume they expect an adjudication, in the case you mentioned, of \$60 million. They want to have a determination, by a quasi-judicial body, that the property was taken, that they did own it, that their claim is valid under principles of international law, and that they sustained a loss of a specific amount. That to them would have some benefit at this particular moment. It might be tax. But it would also surely strengthen the hand of the executive branch, specifically the Department of State, in negotiating at some future time, however indefinite that might be.

That would be the benefit to all of us, apart from the benefit to the individual claimant.

MR. KEARNEY. If I might add something to Dr. Re's statement, his 2 percent as the low figure is based, if I correctly understand it, not upon a final settlement of a certain class of claims but upon distribution of funds which were immediately available and it is likely that sooner or later we will be able to bring this 2 percent up to somewhere around 30 or something like that at least.

DR. RE. This is perfectly correct. In other words, there is always the hope that you may obtain more money later. The case that Mr. Kearney gave you is a splendid example where initially only 2 percent was able to be paid, but by further negotiations more was obtained.

It is extremely difficult to speculate as to what the amount will be in advance of adjudication, and before knowing what the fund will be.

MR. WHALLEY. Does 2 percent to 100 percent have anything to do with the investment and depreciated value or not?

DR. RE. The determination of the Commission is based upon an ascertainment of a reasonable value of the property at the time it was taken. It has no relationship to any present or future fund out of which the awards may be paid.

MR. WHALLEY. Thank you, Mr. Chairman.

MR. ZABLOCKI. Mr. Murphy.

MR. MURPHY. Mr. Chairman, this bill before us is similar to the Cuban bill and it merely adds claims against Communist China.

MR. ZABLOCKI. That is right.

MR. McDOWELL, do you have any questions?

MR. McDOWELL. No further questions.

MR. ZABLOCKI. Mr. Cameron.

MR. CAMERON. Dr. Re, in the determination of the values at the time of expropriation does the Commission take into consideration the history, the earning history of the expropriation? Let's say we have

a public utility earning 12 to 15 percent or 20 percent on capital investment in the recent past. Does it take this into consideration in making this adjudication?

Dr. RE. In making its determination as to value, the Commission considers every single fact that is brought before it. Indeed, the Commission is most liberal in the acceptance of testimony and evidence.

I would like to read, if I may, in answer to your question, sir, the specific phraseology of the Cuban bill which would be relevant, and is found in section 503.

That section states specifically that in making the determination with respect to validity and amount of the claims and value of properties, rights or interests taken, the Commission shall take into account the basis of valuation most appropriate to the property and equitable to the claimant, including, but not limited to, fair market value, book value, going concern value or cost of replacement.

Mr. CAMERON. In the case of a corporate entity it is quite likely that the value placed upon the property would be substantially more than—assuming it was a successful business—would be substantially more than its book value?

Dr. RE. It might be more than the book value because other factors would also be considered.

Mr. CAMERON. There is the answer, Mr. Broomfield, the Internal Revenue Service is letting them write it off but they say their losses were greater than that. This could be a tax loss. I am saying that could be the immediate benefit. It could be the result of this—

Mr. BROOMFIELD. Mr. Sprague probably doesn't agree with this.

Mr. ZABLOCKI. Are there any other questions of Dr. Re and Mr. Kearney?

Dr. RE. Thank you very much, Mr. Chairman. It has been a pleasure to have appeared before you.

Mr. ZABLOCKI. We will now hear Mr. Kenneth B. Sprague, vice president for finance of American & Foreign Power Co., Inc. With Mr. Sprague is Mr. Wendell Lund. Mr. Lund, if you desire you may sit at the table as well.

Mr. Sprague.

STATEMENT OF KENNETH B. SPRAGUE, VICE PRESIDENT OF AMERICAN & FOREIGN POWER CO., INC.

Mr. SPRAGUE. Mr. Chairman and distinguished members of the committee, my name is Kenneth B. Sprague and I am a vice president of American & Foreign Power Co., Inc. I am grateful for this opportunity to appear here today on behalf of American & Foreign Power to express strong support for S. 3675.

American & Foreign Power owns a majority interest in Shanghai Power Co., the leading electric power company in Shanghai, China, until December 1950 when the Chinese Communist regime confiscated its properties, as well as the properties of its subsidiary, Western District Power Co., in Shanghai. Over 80 percent of the common stock of Shanghai Power Co. is owned, directly or indirectly, by nationals of the United States, including American & Foreign Power.

Before specifying the reasons for our support of S. 3675, I would like to indicate very briefly the nature of Shanghai Power Co. and the relevancy of the loss of its properties to the proposed bill.

The company was organized under the laws of Delaware for the purpose of acquiring and operating the electric generating, transmission and distribution system serving the International Settlement in Shanghai, previously owned and operated by the Shanghai Municipal Council.

In 1928, after surveying the anticipated financial requirements of the city of Shanghai for essential capital improvements, as well as projected power needs, the council determined that it would be in the best interests of the municipality if the electric system were sold to private interests and the expansion thereof were financed from private sources. The council then requested bids for the properties and the purchase proposal of American & Foreign Power was ultimately accepted.

Shanghai Power Co. acquired control of the properties in 1929. The company had the exclusive right to supply electricity within the limits of the International Settlement and in that part of the extra settlement areas where the municipal council exercised jurisdiction. The franchise was without limitation as to time, but the municipality had an option to repurchase the entire property at its fair value after 40 years and, if the option was not then exercised, at the end of every 10-year period thereafter.

From 1929 through 1941, when its properties were seized by the Japanese, Shanghai Power Co. continuously and substantially developed and expanded its electric generating facilities. Upon repossession of the properties from the Japanese in 1945, the company immediately commenced an intensive rehabilitation program, it installed new equipment bringing its total generating capacity to 208,500 kilowatts, and it proceeded to make further improvements in the properties.

In 1950, when the Chinese Communist regime confiscated the company's properties, books and records, the investment of the company in plant and equipment was approximately \$60 million exclusive of some \$2 million representing the properties of its subsidiary, Western District Power Co. No compensation for any of the properties seized has been offered to or received by the company. It proved impossible for the company to secure any legal relief in the courts of China against the seizure and, in fact, the company was never even accorded a hearing by the Communist Chinese authorities.

Over 15 years have now passed since the seizure of the company's properties in Shanghai. The Chinese Communist regime has totally disregarded proper international standards and has shown no interest whatever in providing the victims of its property confiscations with any opportunity for the submission of proof of their claims.

The bill now under consideration by the committee represents a constructive step toward attempting to secure a remedy and some measure of justice for the U.S. nationals who until now have had no forum in which to present their claims against the Chinese Communist regime.

The bill, in the same manner as the Cuban Claims Act, provides for an orderly and formal preadjudication of claims by an agency with experience and expertise in proceedings of this character. This system has the great advantage of permitting the submission and preservation of evidence and a trustworthy determination of the amounts of claims before records become lost, before the memories of witnesses fade, and before witnesses die or otherwise become unavailable. It

seems clear that the sooner a claim is presented after a loss occurs, the more accurately will facts be documented and supported, the sharper will be the recollection of witnesses and the better can justice be done in determining the validity and proper amounts of claims.

Another compelling reason for the prompt passage of S. 3675 is that the valuable information gathered through the presentation of claims provides the United States with a basis and starting point for seeking satisfactory indemnification on the international level—for use at a time when a negotiated settlement of the claims against the foreign government becomes feasible.

The preadjudication of claims will give the State Department as accurate a picture as possible of the nature and amount of valid and legitimate claims that U.S. nationals have against the Chinese Communist regime, and the possibility that, through oversight or inadvertence, the interests of U.S. nationals will be compromised can be largely averted.

It is, perhaps, worth noting that in a report prepared in 1963 for the use of the Committee on Foreign Affairs of the House and printed under the title "Expropriation of American-Owned Property by Foreign Governments in the 20th Century" the following statement appears:

As of 1949, the value of U.S. investments in China were [sic] estimated at \$56 million, not including various schools and universities, such as Peiping Union Medical College, St. John's University, and Yale in China, or U.S. embassy and consular property. After the Communist takeover, all of this was taken (p. 16).

I am not familiar with the source of the \$56 million figure contained in the report that I have just quoted, but, as I stated at the beginning of my remarks, the companies on whose behalf I am appearing had invested in mainland China over \$60 million.

If the U.S. Government were to base any eventual settlement of American claims against the Communist regime upon a supposed amount of \$56 million invested by U.S. nationals in China, the likelihood of a serious miscalculation is all too evident.

Further, passage of S. 3675 will serve to emphasize the importance which the United States attaches to the view that nations must observe in their relations with each others' nationals at least a basic standard of morality and fair dealing. And the restatement of this fundamental principle in relation to U.S. claims against Communist China may, perhaps, demonstrate that the U.S. Government remains steadfast in this view regardless of the passage of time since the confiscatory actions took place.

It is very clear that the bill does not contemplate the appropriation of funds for the payment of claims. In fact, the bill if passed will become part of a statute which expressly states that it shall not be construed as indicating any intention to authorize an appropriation for the purpose of paying the claims. Thus, the claims program will not cost the United States other than the usual administrative expenses for the work of the Foreign Claims Settlement Commission.

In summary, the reasons supporting the prompt passage of the Cuban Claims Act are equally present in the case of S. 3675. In view of the lapse of time since the Communists seized power in China and embarked upon their program of arbitrary confiscation, these reasons take on an added importance. The establishment of a reliable

record of claims at a time when such record can most accurately be made should substantially benefit both the claimants themselves and the Government of the United States.

Accordingly, we indicate our firm support for the favorable consideration and passage of S. 3675 in this session of Congress.

Thank you, gentlemen.

Mr. ZABLOCKI. Thank you, Mr. Sprague.

Concerning the extended period of time it has taken to start this legislation, is it accurate to assume that the claimants were not overly concerned before this because they had sought some relief or recovery by court action or were hopeful that a settlement could be had? Also, I can understand how the House report issued in 1963 containing the \$56 million figure for confiscated American property that obviously was far lower than the amount actually confiscated on the mainland of China might have prompted this action. I can see how the claimants would believe that this apparent erroneous figure of \$56 million should not stand as the figure with which the State Department would someday use to negotiate with some future Government of China.

Mr. SPRAGUE. Mr. Chairman, I can only speak for American & Foreign Power Co. I think the points you have made are part of the reason. I don't think anyone in my company has felt there was much chance of getting our properties back or the equivalent in the near future, and this was something that could be put off. Most of us are kept busy enough taking care of pressing problems that we just didn't exert any pressure or do anything in a positive way to see this legislation was considered until quite recently.

Mr. ZABLOCKI. Would it be accurate to assume that after you read the House report of 1963 you were motivated to action?

Mr. SPRAGUE. It pointed up the necessity for some kind of a valuation.

Mr. ZABLOCKI. I agree. There was speedy action in the other body. S. 3675 was introduced by Senator Carlson on August 1, 1966, and reported favorably by the committee on August 30 and acted upon in the Senate on September 6, 1966.

I believe that this subcommittee should lose no time in reporting this bill to the full committee for further action.

Mr. SPRAGUE. We are very happy to hear you say that.

Mr. ZABLOCKI. I have no further questions.

Mr. Broomfield.

Mr. BROOMFIELD. Mr. Chairman, I concur in what you have said.

I am still a little bit troubled by the one fact of what this means to your company as far as other than what you have mentioned. I know it will be raised on the floor. It is a logical question of claimants as far as tax advantages are concerned. What disturbs me is the lateness of the hour and the fact that I question in my own mind why this wasn't done sooner.

Mr. SPRAGUE. This can be explained for the most part by reference to the statutory situation respecting claims for foreign expropriations of property of U.S. nationals. Until relatively recently there was no statutory basis for the adjudication of claims of U.S. nationals prior to the time assets were available for their payment. As Chairman Re pointed out in his testimony, presettlement adjudication of claims was first used in the Lake Ontario programs involving Canada. That was in 1963. Then in October 1964 the Cuban Claims Act, fol-

lowing this same pattern, became law. The present bill S. 3675, based on this same principle, was introduced a short time thereafter.

Mr. BROOMFIELD. If that is the basis of your position on this bill, I certainly see no objections to it. I think we ought to move quickly to establish this as far as a permanent record on these adjudicated claims.

Mr. ZABLOCKI. Mr. McDowell.

Mr. McDOWELL. On page 3, you refer to the date when the Japanese took over the properties. When you regained control of the property from the Japanese was there ever any compensation paid by the Japanese Government for their period of occupation?

Mr. SPRAGUE. Not by the Japanese. As I am sure you are aware, we do have claims pending with the Commission now for the damage done by the Japanese to the properties. That is being worked on right at the moment. But as far as receiving anything from the Japanese, no.

Mr. McDOWELL. Is your basis for your valuation of the value of the property at \$60 million, I believe as is said before, based upon a valuation that was used in establishing that claim?

Mr. SPRAGUE. No; that claim differed in nature somewhat. That claim was limited to materials and supplies that were taken away by the Japanese from our powerplant, part of which was dismantled, all of which was subsequently replaced during this period between the time the Japanese were thrown out and the Communist regime took over. In that 5-year period we had replaced all this damage done previously by the Japanese.

Mr. McDOWELL. Do you recall the amount of that claim?

Mr. SPRAGUE. I think the claim as we originally filed it was in the neighborhood of \$12 million. But it has subsequently been reduced to, I believe, around \$9 or \$10 million by the Commission.

Mr. McDOWELL. That is all.

Mr. ZABLOCKI. Mr. Whalley.

Mr. WHALLEY. Thank you, Mr. Chairman.

Mr. Sprague, I feel the same way, that the quicker the claims are listed the better it would be, of course.

I was just wondering, has American & Foreign Power ever had any claims with any other countries besides China and Japan?

Mr. SPRAGUE. Yes, sir. We now have claims with respect to Cuba; very substantial ones.

Mr. WHALLEY. What would be the amount of that claim?

Mr. SPRAGUE. We are in the process of preparing it. I can't be too exact with you. All I can tell you is that the subsidiary, the Cuban Electric Co., which served about 85 percent of all the island of Cuba, had a plant account at the time it was taken away from us by the present regime of over \$300 million.

Mr. WHALLEY. Was that depreciated completely before the claim was made?

Mr. SPRAGUE. No, sir. That property was in very good shape.

Mr. WHALLEY. Pretty new?

Mr. SPRAGUE. Yes, pretty new. I think it was equivalent to a domestic utility. We were very proud of our operations in Cuba.

Mr. WHALLEY. Thank you very much.

Mr. ZABLOCKI. Mr. Cameron,

Mr. CAMERON. I am sorry the State Department has left, Mr. Chairman.

I note the footnote on this—this committee report that you referred to dated 1963—footnote 39 says the information was provided by the Department of State indicating the total claims were \$56 million. Have you discussed this with State as to where they came up with this figure?

Mr. SPRAGUE. Yes; we did. We didn't get the answer. We couldn't find out what the answer was.

Mr. CAMERON. I think it would be interesting, Mr. Chairman, for the committee—this is rather embarrassing it seems to me—I am a signatory to this report—if the State Department is giving us such obviously erroneous information.

Mr. ZABLOCKI. We will obtain that information for the record. (The information is as follows:)

STATEMENT OF EXPLANATION FROM THE DEPARTMENT OF STATE ON FIGURES USED
TO ESTIMATE VALUE OF AMERICAN INVESTMENTS IN MAINLAND CHINA

While the Department has not been able to identify the official who provided the information to the Legislative Reference Service that the Department estimated the value of American business investments in Mainland China in 1949 at \$56 million, the figure corresponds to an estimate prepared by the Department of State as part of a study in an interagency intelligence program in May 1954. Other parts of that study are still classified.

The figure represented the Department's best estimate, based on information available to it in 1954, of the value of American business investments in Mainland China in 1949.

Mr. SPRAGUE. I hope the State Department doesn't think we are trying to embarrass them. We are just trying to make a point.

Mr. CAMERON. I am sure that they don't. I find it an embarrassment though to find I have my name signed to something which says \$56 million which obviously is in error. It would be very simple for anybody to realize that that would be too small a figure.

Mr. SPRAGUE. You made a point with a previous witness about making the public understand the cost of administering this claim ahead of other things. I would like to refer you to the report of this committee at the time they were considering the claims against Cuba.

On page 6, it says:

When after negotiations a total sum is determined for all losses of American property in Cuba and a settlement is agreed upon and paid, additional legislation will be required for authorization to pay such adjudicated claims and to deduct a percentage from the amount collected sufficient to fully reimburse the United States for administrative expenses on the adjudication of these claims.

Mr. CAMERON. I would like to suggest, Mr. Chairman, that the staff be directed to include such a comment in the committee report on this bill if it is reported.

Mr. ZABLOCKI. Without objection.

Mr. CAMERON. Mr. Sprague, I noticed when I was talking about some IRS agent agreeing with some claim that you may have taken or any claimant may have taken on his current tax returns with respect to expropriated property, you were shaking your head and saying I was wrong. Would you clarify that?

Mr. SPRAGUE. I shouldn't be doing such things.

Mr. CAMERON. Not at all. That is what we are here for, an exchange.

Mr. SPRAGUE. First of all, any losses that would have been available to the taxpayer would have been claimed in 1950 or 1949, so that the statutes have run on those years. Therefore, there could be no claim with respect to the loss as it existed at that time.

Mr. CAMERON. Unless the return is still open, which is entirely possible because an IRS agent could have come along and you could have claimed \$120 million and he could have written it down to 20 and you could have contested it.

Mr. SPRAGUE. This piece of legislation would have no bearing on any settlement of a case—

Mr. CAMERON. It conceivably could have an effect, couldn't it? IRS would not be compelled to accept the adjudication of the Claims Commission.

Mr. SPRAGUE. They make their own adjudication.

Mr. CAMERON. It would strengthen the hand of a litigant in the case of an action with respect to this matter to have the matter adjudicated, wouldn't it?

Mr. SPRAGUE. I think not.

Mr. CAMERON. You don't think the Tax Court would give any credence at all—

Mr. SPRAGUE. I don't think so.

Mr. CAMERON. I would rather go into Tax Court with it on my side rather than against me.

Mr. SPRAGUE. I would presume if you had a tax claim you would work just as hard building up that claim as you would in preparing this particular record for this particular body. Maybe a little harder.

Mr. CAMERON. That is dollars maybe you could see.

Mr. SPRAGUE. That is right.

Mr. CAMERON. When you say you have a \$60 million plant investment in this Shanghai property, I assume this was the gross book value of the original venture, not talking about depreciated costs?

Mr. SPRAGUE. I believe it is not the depreciated costs.

Mr. CAMERON. Your claim would probably be in excess of the \$60 million then, based upon the earning capacity and the franchise values and the going business and all that, wouldn't it?

Mr. SPRAGUE. It could be. It would have to be studied and considered. I am not at the moment in a position to say that.

Mr. CAMERON. I realize that. I am just thinking in terms of a going business. Normally the value placed on a going business would be in excess of what the actual capital investment in the —

Mr. SPRAGUE. It could be, sir.

Mr. CAMERON. Thank you, Mr. Chairman.

Mr. ZABLOCKI. Mr. Murphy?

Mr. MURPHY. No questions.

Mr. ZABLOCKI. Any further questions?

Thank you, Mr. Sprague and Mr. Lund.

Are there any other witnesses who desire to appear before the committee and make a statement?

If not, the committee will go into executive session.

(Whereupon, at 11:30 a.m., the subcommittee proceeded in executive session.)