

INTERNATIONAL PROSECUTION SECTION

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ANALYSIS OF DOCUMENTARY EVIDENCE

DESCRIPTION OF ATTACHED DOCUMENT.

Title and Nature: Affidavit of John GOETTE, on Puppet Governments in North China and Japanese Economic and Military Exploitation of Same.

Date: 15 July 46 Original Copy Language: Japanese

Has it been translated? Yes No

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LOCATION OF ORIGINAL: Document Division

SOURCE OF ORIGINAL: H. A. Hauxhurst

PERSONS IMPLICATED: UMEZU, Yoshijiro; Gen. HO, Yin; Gen. NIMOTO; Prince TEH, Wang; WANG, Keh-Min; KAGESA, Teishiro; Lt. Col. YAHAGI; HAYA, Okinori

CRIMES TO WHICH DOCUMENT APPLICABLE: Violation HO-UMEZU Agreement; Tsingtao Conference; Military Aggression, North China; Economic Aggression; North China Development Co.

SUMMARY OF RELEVANT POINTS:

Mr. GOETTE, correspondent for INS in China and Manchuria accredited to Japanese Army 1924-41, testifies to continuous Japanese encroachment and military and economic control through puppet governments and commercial organizations in North China and Manchuria. Violation HO-UMEZU Agreement carried out by Chinese renegades (1933) with consent of Japanese from whose territory they came.

Open control of Chinese puppet governments carried out in all fields by Japanese army officers. East Hopei Regime given as example of Japanese control and finally outright occupation.

Formation of WANG Ching Wei government covered.

Role of North China Development in full economic control of that area covered. Japanese Army profited from sales at high prices to Chinese dealers, or gave Japanese middlemen profits. KAYA stated to GOETTE that North China mobilized to (1) supply war material to Japan; (2) expand Japanese armament, and (3) meet needs of peacetime economy.

Analyst: W. H. Wagner

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INTERNATIONAL MILITARY TRIBUNAL FOR THE FAR EAST

Case No. 1

UNITED STATES OF AMERICA, et al., :

Affidavit of
JOHN GOETTE

- vs - :

ARAKI, Sadao, et al. :

Sworn to before an officer whose signature appears below, I,
JOHN GOETTE, make oath and say as follows:

I reside at 340 East 63rd Street, New York City, and am presently engaged in writing, radio work and lecturing. I was chief correspondent for International News Service in China from 1924 to December 8, 1941.

My work in China began in 1921, from which time forward my headquarters were in Peiping in North China. From 1924 until December 8, 1941 I was continuously correspondent for International News Service. During that time I covered all the major events in Manchuria and North China. From July 7, 1937, the date of the battle of Marco Polo Bridge in China, I was formally accredited as an American war correspondent with the Japanese Army in the China field of operations. In that time I accompanied the Japanese Army into every occupied province of North China as well as Manchuria. Also, I made periodic trips to Japan.

During the years 1933 to 1937 I observed the Japanese Army constantly cutting away into North China south of the Great Wall. I

witnessed organized warfare between the Japanese Army and the Chinese armies inside the Great Wall, the Japanese forces being constantly augmented in occupying strategic positions and taking over control of the areas. In the course of that fighting I personally saw the damage done to an American mission by Japanese aerial bombing in the town of Miyun, 50 miles north of Peiping. From time to time the Chinese officials expressed to me their confusion at what Japan wanted, as they put it "we make a concession here and then the Japanese want more there."

In 1933 the so-called "Ho-Umezu" Agreement between General Ho Yin Ching of the Chinese Army and General Yoshijiro Umezu of the Japanese Army was signed whereby the areas between the Great Wall and Peiping were to be demilitarized, but demilitarized only to Chinese troops with the Japanese having the right to put their own forces in there at will. Despite this demilitarization I on several occasions saw renegade Chinese armed forces enter the demilitarized zone from outside the Great Wall. This was only possible through Japanese permission and connivance since they had come from Japanese occupied Manchuria into the demilitarized zone. These renegade troops staged armed campaigns against the Nationalist Army of China which I witnessed. The Chinese officers stated to me they did not know definitely where these forces came from or even where they went, since they would disappear again into the areas controlled by the Japanese.

The Japanese encroachment into North China reached its culmination in November, 1935 with the creation of the East Hopei Anti-communist Autonomous Government, whereby a large section of the province of Hopei was carved away from control of the Nationalist Government of China. The

Japanese Army would not permit the Nationalist forces to enter the new area. I was present at the inauguration of this government with Jin Yu-Keng as its head, and on that occasion and many times after I personally talked with Jin Yu-Keng. On those occasions he denounced General Chiang Kai-shek and the Nationalist Government of China, claiming that he had started his East Hopei government as a reform movement. However, this area soon became the haven of Japanese smuggling and dope peddling, defying all the laws and regulations of the Nationalist Government of China. Into that area the Japanese and Koreans brought goods without payment of Chinese customs and tariffs, and it became impossible for the Chinese customs officials and customs collectors to operate in that section of the North China coast. These goods and drugs, of course, spread out from East Hopei into other parts of North China. The presence of Japanese troops in the area made it impossible for any Chinese official to prevent such action. In the East Hopei government were many Japanese advisers. Its armed forces consisted of the special Chinese gendarmerie trained and officered by Japanese.

The East Hopei Regime came to an end with the revolt of the special police force at Tungchow on July 29, 1937. On the morning of that date the Japanese Army began its all-out attack on the Chinese army barracks in the four suburbs of Peiping, resulting in the fall of the City. The East Hopei regime came to an end because all the area by that time had been completely occupied by the Japanese army.

In the early days of the Japanese occupation of Peiping and prior to the creation of the first formal puppet government in China on December 14, 1937 I had frequent talks with ranking Japanese army officials who

stated their plans to create a puppet government and said there were difficulties in agreeing upon Chinese with whom they could work best. Despite this stated uncertainty on the part of those Japanese officials, I was called on December/ ^{14,} 1937 to go immediately to the old palace in Peiping to witness the inauguration of the Provisional Government of the Republic of China. There I saw and talked to many of the Japanese officers and members of the cabinet of the new government. This sudden proclamation of the first puppet government was a surprise to me because in previous weeks Japanese officers had expressed to me their complete bewilderment as to which group of Chinese they could induce to accept office under them. As General Nimoto on one occasion said to me, "Every day I receive several delegations of different Chinese groups. How am I to determine which are the right ones?"

Inaugurated as president of the new puppet government was Wang Keh-min, who had been a minister of finance under the old Republican Government and was generally known as being but a front or a tool for the Japanese Army. Other members of the new puppet government had likewise held various cabinet posts in China prior to the rise of the Nationalist Government of Generalissimo Chiang Kai-shek.

By November, 1938 the Japanese Army through a series of military campaigns had consolidated control of the area northwest of Peiping known as Inner Mongolia or the provinces of Chahar, Suiyuan and parts of Shansi. This control extended to the western terminus of the Peiping-Suiyuan Railway at Paotou. In November, 1938, I went to that area with the Japanese Army and witnessed the inauguration of a series of local puppet regimes

at Tatung, Suiyuan and Kalgan. Subsequently, these were united under one puppet government known as the Autonomous Government of Inner Mongolia or Mengchiang. The head of this government under the Japanese was the Mongolian Prince Teh, otherwise known as Teh Wang. Teh Wang told me he had been under continuous Japanese military pressure over a period of several years, first in the form of special Japanese military missions coming to headquarters and demanding that he join their cause. When he refused to do this, the Japanese Army marched in and completed the military occupation of his territory. He was useful to the Japanese only as his name was well known to the Mongolians. Neither he nor any member of his cabinet had any authority whatever or very little knowledge of what was happening as I can attest from having seen them taking orders from even minor Japanese civilian advisers placed over them.

In 1940 the Japanese had decided that the time had come to create a unified puppet government for all occupied China. At Nanking a so-called "Reformed Government" (established about March, 1938) had been operating under the Japanese. In 1940 it was planned to consolidate that Nanking regime with the regime in Peiping. In this step the Japanese met with opposition from Wang Keh-min, the then head of the Peiping regime. The Japanese proposed making Wang Ching-wei the head of the proposed national government of China with headquarters at Nanking. It was only in January, 1940 that the Japanese succeeded in inducing Wang Keh-min to come from Peiping to meet with Wang Ching-wei at the so-called "Tsingtao Conference" to discuss consolidation of the two puppet regimes. I was present at Tsingtao and there met Teishiro Kagesa, a Japanese in civilian clothes, who obviously had great authority. I then discovered that this Japanese

was a general and it was his responsibility to bring the two Chinese factions together to create the Nanking government. General Kagesa's work was successful and in March, 1940 the Wang Ching-wei government, so-called the National Government of the Republic of China, was formed. I was present at that inauguration, I talked with Wang Ching-wei who declared the government was established to work for peace and reconstruction and anti-communism and from that moment forward it would be opposed to what Wang Ching-wei called the Chiang Kai-shek regime at the wartime capital of Chungking.

My presence at the Tsingtao conference of January, 1940 was due to the fact that the press section of the Japanese Army in North China wanted to have an officer present. Therefore, I as a correspondent, was invited to go to Tsingtao and, of course, was accompanied by this officer, Captain Takata. It was obvious that I was used as a device to inject this officer from the Japanese command in North China into the conference which was presumed to be chiefly a show of the Japanese command in Central China. It was through this Captain Takata that I met General Kagesa and the work he was doing was explained to me. This had to do with the fact that Wang Ching-wei at that time was in complete agreement with the Japanese for the creation of the puppet government but Wang Keh-min of the Peiping regime was loathe to join with Wang Ching-wei even to the last hours of the conference at Tsingtao.

In each one of the puppet governments there were numerous high-ranking Japanese advisers to whom the Chinese officials paid full attention. I have frequently been in the offices of even the head of the puppet government in Peiping and through an open door in the next room have seen several Japanese colonels and even generals. In other words, there was no attempt

by the Japanese to mask the presence and the authority of both Japanese Army officers and civilian officials surrounding the Chinese puppet officials.

The economic and industrial policies of each one of the puppet governments was completely and thoroughly controlled by the Japanese Army and the hordes of civilian experts sent by the Japanese government to occupied China. These men directed and controlled every phase of political administration, finance, economics, education, press and police. Every law or regulation issued by the puppet governments was worked out by the Japanese and frequently it happened that the announcement of a new and important change in policy for the occupied areas would come first from Tokyo rather than from the puppet administration, presumably promulgating the order.

As an example of the way in which the Japanese did not even give face to their puppet Chinese officials was on one occasion in Kalgan when I asked a question of the Minister of Finance of the Inner Mongolian Government. Before the Minister could answer a Japanese adviser produced the figures for which I had asked and the Chinese Minister never uttered a word.

As the Japanese Army completed its occupation of North China every public utility, including railroads, waterways, bus lines, electric power plants, plus all the major industrial enterprises fell into their hands. An example of the completeness of this Japanese industrial control was the province of Shansi. I made several visits to its capital, Taiyuan-fu. Shansi prior to Japanese aggression had been known as a model Chinese province due to the fact that its governor had fostered a chain of 42 industrial enterprises including an iron smelting plant, cotton mills,

tobacco and paper plants, etc. When I visited Taiyuan-fu I saw a sign on each of these industrial plants saying that they were now operated by the Special Service Mission of the Japanese Army. On my visits to Taiyuan-fu in 1939 I was taken through many of these plants by the Japanese Army whose officers proudly boasted of the business that the Japanese Army was doing in Shansi Province. One particular Japanese officer, Lt. Col. Yahagi of the Special Service Mission, was in complete charge of the operation of the 42 industrial plants in the province. Col. Yahagi told me that the Japanese Army had brought 6,000,000 yen from Japan during the first year of the occupation to put those 42 industrial plants in operation and Yahagi boasted that this capital had practically been repaid in 12 months. He said six cotton mills under his operation showed a profit of 3,000,000 yen in six months alone. In addition he added that they had also supplied the entire Japanese Army of occupation in Shansi with sheets, towels, underwear and mosquito bars without cost to the Japanese Army. In addition to this supplying of the Army the cotton mills had also produced a large amount of goods which were sold to Chinese dealers at market prices. Of course, it was from this latter enterprise that the extensive profit was made by the Japanese Army. The Japanese Army in Shansi Province made plain to me its feeling of pride that the Army alone was operating the 42 industrial plants. They had not turned them over to any Japanese private concerns for exploitation as was the common case in other parts of occupied China. For example, all public utilities and major industries of every description were handed over by the Japanese Army to the North China Development Company as a Japanese incorporated holding company which directed numerous Sino-Japanese subsidiaries as the operating companies.

I had firsthand information of the over-all policy of the North China Development Company from Mr. Okinori Kaya with whom I talked in Peiping in 1940. At that time he was President of the North China Development Company. Mr. Kaya explained to me that the "plan of material mobilization in the area of North China under Japanese military occupation envisaged three main points: (1) to supply the war material to Japan which is to be used in the Sino-Japanese War, (2) to expand the armament of the Japanese, and (3) to meet the needs of peacetime industry." Mr. Kaya further stated that the "plan was not based entirely on the needs of any one state but rather on the requirements of the daily life of North China, Japan and Manchuria as well." As Mr. Kaya pictured for me the operation of the North China Development Company with its control over the major industrial enterprises and puppet companies in North China, he cited the case of the former Chinese government railways, bus routes and water communications then consolidated into the Sino-Japanese North China Communications Company, a subsidiary of the North China Development Company. He stated that this comprised 3,750 miles of railways, 6,250 miles of motor bus lines and 625 miles of waterways. This, as Mr. Kaya explained, was in addition to the operation of all telephone, telegraph and wireless communications in the area through another subsidiary, the North China Telephone and Telegraph Company. He referred to other large subsidiaries of the North China Development Company as including the Lungyen Iron Company, the North China Salt Company, the North China Electric Company, the Tatung coal mines, the North China Coal Company and a dozen other companies which enscribed North China's industrial and economic life under the North China Development Company.

As an American correspondent, I followed the execution of Japan's economic policy in the occupied areas. Chinese puppet officials revealed to me how various government ministries were compelled to sign away the ownership of such great properties as the Chinese Government Railways. Millions of dollars worth of public properties thus went to North China Development Company subsidiaries through this Japanese device of forced puppet franchises.

In the case of commercial aviation Chinese officials were ordered by the Japanese to expropriate land for the building of an airfield at Peiping against their own wishes and against the wishes of the owners of the land. Chinese officials advised me that they were forced not only to expropriate the land but to find the funds with which to indemnify the former owners.

It was not only the puppet Chinese officials who expressed their irritation with Japanese enforced industrial and economic control of occupied North China, but also Chinese business men who found it increasingly difficult to carry on due to the controlled economy imposed by the Japanese through their puppet regime. One source of irritation among the Chinese businessmen was the restrictions upon foreign exchange. The Japanese enforced a system known as "link exchange" whereby the Chinese businessman wishing to import products from the United States could not do so unless he could find another businessman who had received American dollar exchange for the exportation of goods. Under this link system these two businessmen would get together so that the exporter could secure foreign exchange. However, the bank created by the Japanese known as the Federal Reserve Bank in North China would deduct a certain percentage of the foreign exchange

in the possession of the Chinese businessman and this was put into the bank's pool of its own foreign exchange. Because of the increasing difficulty of finding others with foreign exchange it became always more difficult for the export businessman to continue unless he dealt with Japan. Likewise, the difference in economic policy enforced by the Japanese between the occupied areas of Central China and North China made it difficult for domestic trade to flow between say Peiping and Shanghai. This was caused in part by the fact that Japan actually had split China in two economically. In other words, there was one dollar currency in Central China and another in North China and the difficulties of exchange in China were almost as bad as it was in cases going abroad. This to my knowledge caused an almost complete stoppage in the small handicraft industries of Peiping and in the previously flourishing trade in curios, silks and embroideries and I can attest that it caused grave hardship to those merchants in Peiping.

I also listened to the complaints of the Chinese people in Peiping who in the wintertime were beginning to live in cold houses due to a new shortage of coal, despite the fact that within an area of 200 miles there were some of the world's best coal fields in full operation. This was due to the announced policy of the North China Development Company, a Japanese semi-governmental corporation, that the coal needs of Japanese industry must be met from the North China coal fields. In addition to that, the coal that did come on to the domestic Chinese market was completely controlled by purely Japanese wholesale dealers. Thus, the Chinese people complained that they went cold while the invader carried off their own coal. On occasions when I visited the Chinese coal producing areas in the company of Japanese army officials they attempted to impress me by saying how greatly the production of coal had been increased and that greater quantities than ever before

were being shipped from China to Japan.

John Goette

JOHN GOETTE

Subscribed and sworn to by John Goette, before me
this 15th day of July, 1946 in Tokyo, Japan.

John F. Hummel Major

John F. Hummel (Maj.) J.A.G.D.