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DIRECT EXAMINATION OF OBATA, Tadayoshi
BY MR. WILLIAMS

29137 * The witness identified and verified Exhibit 3214 as his affidavit.

29140 * The affidavit stated that from 1932 to 1940 the witness made a number of trips to Manchuria on business. At that time he often saw HOSHINO, who was then first in the Finance Ministry and later Chief of the General Affairs Board in the Manchukuo Government. In the first years in Manchukuo it was difficult for Japanese or other business men to do business, but it became easier after HOSHINO became Chief of the General Affairs Board.

Some young officers and officials in Manchukuo did not welcome outside business men, but HOSHINO tried to decrease this feeling. There was no discrimination between Japanese and other foreign business men and the same regulations applied to both. HOSHINO welcomed foreign capital which was interested in building up Manchuria and was not aiming at speculation.

29141 The witness had a plan to start an automobile industry there * with a Japanese company and the General Motors Corporation from the United States. HOSHINO agreed with this idea and to the necessity of U.S. capital. Later, AIKAWA set up the Manchurian Industrial Development Corporation and one of AIKAWA's inducements was his ability to obtain foreign capital. Manchurian authorities were strict in requiring that any corporation would have to be incorporated under Manchukuo law. The witness knew this because he was unable to set up a branch of SUMITOMO there but had to establish a Manchukuo corporation.

HOSHINO's idea was to develop all industries, particularly agriculture, to lay a solid foundation for the country's economy and the people's welfare. He was interested in developing both light and heavy industry, especially the automotive, since Manchukuo was vast and had insufficient railways. Trucks were particularly necessary for agricultural development.

29142 * HOSHINO was eager for Manchukuo to grow as an independent state generally. The China Incident

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disappointed him and he wanted it quickly terminated. While he was Chief of the General Affairs Board, he told the witness there were too many Japanese officials in Manchukuo and that native Manchurians should play a greater part in government and economic activities.

HOSHINO tried to reduce the number of Japanese officials and said that if Manchukuo needed technical help, the Japanese should assist if they became Manchurian citizens and acted as such.

On exports, the Board could make plans and recommendations only and final decision was by the Emperor's, and execution was by various ministries.

The Board formerly made plans for the allocation of the foreign exchange obtained by exports, but the foreign exchange shrank rapidly. Since Japan could not get new materials, the Board had to devise means of getting by with what was available, and it turned to the plan for expansion of productive power, which had been set up in January 1942. This plan was exhibit 842, which was shown to the witness, who identified it as correct.

This was another Japanese plan which had to be revised constantly because production was decreasing as supplies from the U. S. were diminishing. They had to find new sources of raw materials and products, and the plan for expansion of productive power was the only way to do it. Japan was weak economically, and the Board had to devise some means of meeting army, navy, and civilian demands.

They were still importing some materials from the U. S. and the U.K., but this was insufficient. It was planned to receive from them or any other source the normal amount of executive imports, and all planning was based on a continuation of such imports only. The only warfare considered in making plans was that in China, and neither HOSHINO nor the witness knew how much the army and navy needed there. This was kept entirely secret. If they had had it, their future was in making their plans, they would have been of a very different nature from the ones followed. The object of the plan of expansion of productive power was to send out producer's goods for the most necessary items off from Japan to the export land of foreign countries and to attract to balance industries.

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29144 * On 22 July, 1940, HOSHINO was appointed President of the Planning Board and Minister without Portfolio in the second KONOYE Cabinet, and the witness was appointed Vice-President of the Board in August 1940. The witness was brought into the Planning Board to analyze production figures, and he and HOSHINO soon found out how impractical most of the plans were.

29145 * The China War and U. S. ban on exports added to economic difficulties, and they had to shift plans. The Board could make plans and recommendations only and final decision was the Cabinet's, and execution was by various ministries.

29146 The Board formerly made plans for the allocation of the foreign exchange obtained by exports, but the foreign exchange shrunk rapidly. Since Japan could not get new materials, the Board had to devise means of getting by with what was available, and it turned to the plan for expansion of productive power, which had been set up in January 1939. This plan was exhibit 842, which was shown to the witness, * who identified it as correct.

This was another impractical plan which had to be revised constantly because production was decreasing as supplies from the U. S. were diminishing. They had to find new sources of such raw materials and products, and the plan for expansion of productive power was the only way to do it. Japan was weak economically, and the Board had to devise some means of meeting army, navy, and civilian demands.

29147 * They were still importing some materials from the U. S. and NEI, but this was insufficient. It was planned to receive from them or any other source the normal amount of peacetime imports, and all planning was based on a continuation of such imports only. The only warfare considered in making plans was that in China, and neither HOSHINO nor the witness knew how much the army and navy needed there, for this was kept entirely secret. If they had had in mind any future war in making their plans, they would have been on a very different nature from the ones followed. The object of the plan of expansion of productive power was to turn out producer's goods for the most necessary items cut off from Japan by the export bans of foreign countries and to attempt to balance industries.

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29148 Japanese heavy industry was far inferior to the light and needed great developing to bring the economy into balance. The direct purpose of this plan was not to increase the amount of steel and other items, but to increase the ability to produce them. The end of the plan was set for March, 1942, on paper, but they knew no definite accomplishment could be realized by then. No particular division of the Board had sole charge of the plan, so it was to be handled temporarily by the 5th Division, which had formerly made allocations of foreign exchange and other funds, which had dwindled.

Although army and navy demands were very great, HOSHINO and the witness tried to cut down military allocations in favor of civilian goods and the expansion plan. The army and navy got first priority, but they always succeeded in reducing the allocations demanded by a large per cent, and they never actually got the full allocation because of material shortages. There was great difficulty and arguments from these allocations, and although they were supposed to be decided by April of each year, the witness remembered that when he joined the Board, the allocation was deferred from April to early July. When the witness resigned, the authorities had reached no agreement on allocations for 1941.

29149 The witness stated that he had been shown exhibit 865, which contains the plan for the new economic structure. * The details were prepared by young Planning Board officials. HOSHINO presented the plan in the autumn of 1940 to the Economic Ministers of the Cabinet. They opposed the plan, especially Minister of Commerce KOBAYASHI, and HOSHINO agreed it should be changed. The Economic Ministers wanted it changed so that it would be more in favor of a laissez-faire economy. The original plan provided that large economic organizations were to take over all industries and weed out small and inefficient concerns. KOBAYASHI wanted the government to help the small businessmen, and HOSHINO agreed. The witness did not have a copy of the original plan, since it was not adopted.

29150 There were added to the original plan words to the effect that it was to stabilize the welfare and well-being of the people. This was to check too great emphasis on a synthetic and planned economy and on any radical * change being more in favor of maintaining the status quo.

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In paragraph 3 of Section II, the plan originally read "enterprise must" instead of "may be separated or combined". In paragraph 4 of Section II the original read "medium and small enterprises shall be adjusted and unified". In Section III it originally read "economic organizations shall be operated under the guidance of the one leader principle". The final plan on which KOBAYASHI and HOSHINO concurred was a reversal of the original plan in many points.

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After the changes made by HOSHINO and the other Economic Ministers, the plan became substantially as it read now, and was finally approved by the Cabinet. The Board had nothing to do with executing it, but this had to be done by the Commerce and Industry Ministry. The new plan looked to a partial transfer of * industry control from the government to the business men.

The Board's aim was a self-sufficient economy pointing to a bloc economy relationship with Manchukuo and China. Japan was to be the center of the highly developed industry because it was more advanced, and Manchukuo and China would emphasize the raw material and basic industries. Industries in those two countries were included in the planning because they had been in past economic plans. The three countries, from the point of view of natural resources and production techniques, were interdependent, and did not seem prosperous without cooperation.

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Regarding the population policy which was contained in exhibit 865, at that time the percentage of population increase in Japan was declining due to the change in social conditions and the China War. The plan proposed a state of peace and aimed at 1960. Its real effects would not have been seen until that time. An immediate effect of it would be a decrease in the labor supply, since it encouraged marriage and restricted the employment of women over twenty. It was a visionary paper plan, and it was prepared in the Welfare Ministry and was to be carried out by it. It was customary to explain such plans to the Board. HOSHINO did not show much interest in the population plan, although he gave some explanation of it. He expressed no opinion on it to the witness.

HOSHINO resigned in early April, 1941, and in accordance with the custom the witness five days later resigned.

Page CROSS-EXAMINATION, by BRIGADIER QUILLIAM.

29153 * The witness stated that HOSHINO always held the opinion that the China Incident was a disappointment, and he wanted it terminated. The witness did not recall a speech by HOSHINO, expressing approval of the Incident.

29154 The witness knew of the Japan-Manchukuo-China Economic Council, which he was a member of. He thought he attended some conferences of the nature referred to, * but he didn't recall clearly attending such a one. He thought he was at one or another conference of that kind. He thought it was an important conference, but had forgotten whether the proceedings were published in a book.

29155 Exhibit 3215, a book entitled "Reports of Japan-Manchukuo-China Economic Round Table Conference" was handed to the witness. * He didn't recall ever seeing the book before. The witness observed that on a page of the book there was a report on a speech made by HOSHINO at the Hsinking conference on 3 December 1938, but he didn't know when the speech was made.

29156 In the speech, HOSHINO said that looking back upon East Asia in the past, although it contained one-tenth of the world's land area and over one-fourth of its population, it seemed to have been vainly wandering in the dark. However, the trend of the Orient was to restore her proper position in world civilization. The bell for the awakening was sounding long ago in the Meiji Restoration. The first step realized on the continent was the Manchurian Incident, the recent China Incident being a development and expansion thereof. In consequence, there was first established Manchukuo, and next new governments in North China, Central China, and on the Mongolian Border. This was a revelation of God and the voice of Heaven.

29157 The construction of a new East Asia was a great duty imposed upon them, and they must advance toward its * fulfillment bravely by staking their eternal lives and honor.

Having read that extract, the witness still asserted that HOSHINO was opposed to the China Incident.

Exhibit 3215, the full report of that speech, was received in evidence.

- Page REDIRECT EXAMINATION BY MR. WILLIAMS.
- 29159 * The witness had heard of HOSHINO's disappointment in the China Incident directly and frequently from the accused himself.
- 29160 * The witness did not attend the meeting allegedly held in Hsinking in 1938.
- 29164 * Exhibit 2797-A, an excerpt from the official report of the U. S. State Department, Research and Analysis Branch on War Production Controls in Japan, stated that the adoption of the new economic structure, sanctioned by the Major Industries Association Ordinance of 1 September, 1941, indicated the failure of the army plan to introduce a drastic program for state regimentation of industry and the transformation of private cartels into public organs directed by government officials. The plan was inherited by the TOJO Cabinet. Under the provisions of the Imperial Ordinance, former private cartels had theoretically become public organs termed control societies, responsible to the Ministry of Commerce and Industry. The Ministry's powers, however, were largely negated by inability to appoint
- 29165 directors of the control societies. * The president of the control society was chosen by a nominating meeting of industrialists appointed by the competent minister. The president, in turn, chooses the other officers and directors from experienced people. This committee tended to appoint as presidents of the control societies the presidents of the leading cartels.
- 29166 * In exhibit 3212, the prosecution's interrogation of HOSHINO, the accused stated that he did not become a member of the IRAA in any particular sense, but as a member of the Cabinet. He was an adviser, as were all Cabinet Ministers. He was not an officer of the IRAA, but he was a member of the committee. He was called upon to become a member to study health matters after his resignation. That is all he did with the IRAA.
- 29167 The accused stated that in the spring of 1940, MATSUOKA went to Germany and Italy. HOSHINO had resigned when MATSUOKA returned, * and he didn't know the concrete details of the trip results, but the most important result was the Russo-Japanese Treaty of non-aggression, which was signed the middle of April. The accused did not attend a Cabinet meeting, at which it was considered, for he had already resigned in April and traveled during March, when he did not attend Cabinet meetings.

INTERNATIONAL MILITARY TRIBUNAL FOR THE FAR EAST

THE UNITED STATES OF AMERICA, et al

-vs-

ARAKI, Sadao, et al

AFFIDAVIT OF
OBATA, Tadayoshi

I, Tadayoshi OBATA, having first been duly sworn on oath as on attached sheet, and in accordance with the procedure followed in my country, hereby depose as follows:

I reside at 42 Kitayamacho, Tennogi-Ku, Osaka. I was graduated from the Tokyo Imperial University in 1917, and secured a position with the Sumitomo Company, later becoming executive director of the Sumitomo Electric Wire and Cable Works at Osaka. In August, 1940, I was appointed Vice President of the Planning Board, but resigned in April, 1941. In April, 1945, I was appointed Governor of Aichi Prefecture. In June, 1945, I was appointed Governor General of the Tokai and Hokuriku District.

During the period from 1932 to 1940 I had occasion to make a number of trips to Manchuria and to spend considerable time there in connection with business. At that time I often saw Mr. HOSHINO, Naoki, who was then in the Government of Manchukuo, first in the Finance Ministry and later as Chief of the General Affairs Board.

In the first years in Manchukuo it was difficult for Japanese or other business men to do business there, but it became much easier after Mr. HOSHINO assumed the position of Chief of General Affairs Board. For one thing, some of the young officers and young officials in Manchukuo did not welcome outside business men, particularly in the early days of the new state. Mr. HOSHINO tried to decrease this feeling, although this was a difficult thing to do. There was no discrimination between Japanese and other foreign business men in Manchuria. The same regulations applied to both.

Mr. HOSHINO welcomed foreign capital which was sincerely interested in building up Manchuria and was not aiming only at speculative purposes. I had a plan to start an automobile industry there with a Japanese company and the General Motors Corporation from the United States. I suggested this and Mr. HOSHINO agreed with the idea. I told him American capital was necessary for Manchuria and he agreed with me. Later on Mr. Aikawa came in to Manchukuo and set up the Manchurian Industrial Development Corporation. One of the inducements offered by Mr. Aikawa was his ability to get in foreign capital, particularly American capital and technique. The Manchurian authorities, however, were strict in their requirement that any corporation coming in would have to be incorporated under the laws of Manchukuo, regardless of where the corporation came from. I know about this because I tried to set up a branch of Sumitomo there but could not do so, and had to establish a new company -- a Manchukuo corporation.

It was Mr. HOSHINO's idea to develop all industry in the country, particularly agriculture, in order to lay a solid foundation for the country's economy and the people's welfare. He was interested in developing both light and heavy industry, especially the automotive industry, since Manchukuo was a vast country and had insufficient rail transportation. Trucks were particularly necessary for the agricultural development which he wanted to see take place.

Mr. HOSHINO was anxious for Manchukuo to grow as an independent state generally. The China Incident was a disappointment to him and he wanted it terminated as soon as possible. While he was Chief of the General Affairs Board, he told me there were too many Japanese officials in Manchukuo and that the native Manchurians should play a greater part in government and economic activities. He tried to reduce the number of Japanese officials. He said that if Manchukuo needed technical help, the Japanese should assist, provided they became Manchurian citizens and acted as such, not as Japanese.

Concerning Mr. HOSHINO's relations with the Kwantung Army, it should be said that the reason he was able to get along with them was primarily because he was sincerely interested in building up Manchukuo. He conscientiously discharged his duties in the same way, far more so than most of the other Japanese officials there. The Kwantung Army officers, were for the most part, sincere and in the early days of Manchukuo I had the impression that they were the most capable and most idealistic officers of any part of the Japanese Army. This tradition of capability and sincerity continued, and so Mr. HOSHINO's attitude was respected.

On July 22, 1940, Mr. HOSHINO was appointed President of the Planning Board and Minister Without Portfolio in Prince KONOYE's Second Cabinet, and I was appointed Vice President of the Board in August of that year. The reason I was brought into the Planning Board was to analyze, from a business man's point of view, the various production figures in the impractical plans then being used. Mr. HOSHINO and I soon found out how impractical most of these plans were. It was a difficult position to be in for the China war was constantly expanding, with no termination in sight, and the United States soon began to ban certain exports to Japan. This added greatly to our economic difficulties and so we had to shift plans in order for Japan to meet her needs with what she had. The Planning Board could make plans and recommendations only. The final decision was always made by the Cabinet and executed by the various ministries.

The Planning Board had, as part of its business, formerly made plans and for the allocation of the foreign exchange which Japan obtained by her exports, but our foreign exchange shrunk rapidly. Since Japan could not get new materials, the Board had to devise new means of getting by with what was available and so it turned to the plan for the Expansion of Productive Power, which had been set up in January, 1939. Counsel has shown me Exhibit 842 and this document contains that plan. This was another impractical plan which we had to constantly revise in the face of changing circumstances. The changes were made necessary primarily by the fact that production was decreasing as our supplies of steel scrap, oil, machine tools, aluminum and other items from the United States were diminishing. Accordingly, it was necessary to find new sources of those raw materials and products, and the plan for Expansion of Productive Power was the only way to do it. Japan was weak economically and the Planning Board had to devise some means of meeting the

demands put on it by the Army, Navy and civilian sources.

Japan was still importing some materials from the United States and the Netherlands East Indies, but these were insufficient for her current needs. What it was planned to receive from them, or any other outside source, was the normal amount of peacetime imports and all the planning was based on a continuation of such imports only. The only warfare which was considered in making plans was that going on in China, and neither Mr. HOSHINO nor I knew how much the Army and Navy required for use there. The uses to which they put the materials they demanded were kept entirely secret. If we had had in mind any future war, such as the Pacific War, in making our plans, those plans would have been of a very different nature from the ones we followed. The object of the Plan for Expansion of Productive Power was to turn out producers' goods for those most necessary items cut off from Japan by the export bans of foreign countries, and to attempt to balance the industries. The heavy industry in Japan was far inferior to the light industry and needed a great deal of developing to bring the economy into any kind of a well balanced relationship. By the Plan for Expansion of Productive Power the direct purpose was not to increase the amount of steel and other items, but the ability to produce them. The end of the plan was set for March of 1942 on paper, but we knew no definite accomplishment could be realized by that time. At that time there was no particular division of the Planning Board having sole charge of this Plan so it was to be handled temporarily by the Fifth Division, which had formerly made allocations of foreign exchange and other funds which had dwindled so much.

As I said before, at this time the demands of the Army and Navy were very great. However, Mr. HOSHINO and I tried to cut down the military allocations in favor of civilian goods and the Plan for Expansion of Productive Power. The Army and Navy got first priority but we always succeeded in reducing the allocations which they demanded by a large per cent and they never actually got the full allocation because of material shortages. There was a great deal of difficulty and argument over these allocations and although they were supposed to be decided by April of each year, I remember when I joined the Planning Board that the allocation had already been deferred from April to early in July, and when I resigned in April of the next year, the authorities concerned had been able to reach no agreement on allocations for the 1941 fiscal year.

Next I shall speak about the new economic structure. Counsel has shown me Exhibit 865 which contains the plan. The detailed plan was prepared by some of the young officials of the Planning Board. Mr. HOSHINO took this plan in the autumn of 1940 and presented it to the Economic Ministers of the Cabinet. They expressed considerable opposition to the plan, especially Mr. Kobayashi, the Minister of Commerce and Industry. Mr. HOSHINO agreed that it should be changed. The Economic Ministers of the Cabinet wanted the plan changed so that it would be more in favor of a laissez-faire economy. For instance, the original plan provided that large economic organizations were to take over all industries and run them efficiently, weeding out the small and inefficient business concerns. Mr. Kobayashi wanted the government to help the small business men instead, and Mr. HOSHINO agreed with him. I do not have a copy of the original plan and I do not know where one can be found, since it was not adopted. I shall relate some of the changes made by Mr. HOSHINO and the other Economic Ministers, as I remember them, after many negotiations.

1. There were added to the original plan the words, "to stabilize the welfare and well-being of the people", or words to that effect, to the aims set out in the plan. This was to act as a check on the too great emphasis on a synthetic and planned economy and was a check on any radical change, being more in favor of maintenance of the status quo.

2. In paragraph 3 of Section II, the plan originally read: "enterprise must be separated or combined" instead of "may be separated or combined." I have underlined the word in the original plan which was changed.

3. In paragraph 4 of Section II the original plan read: "medium and small enterprises shall be adjusted and unified."

4. In Section III, entitled, "Economic Organizations", paragraph (a) (2) originally read: "Economic organizations shall be operated under the guidance of the one-leader principle." In short, the final plan on which Mr. Kobayashi and Mr. HOSHINO concurred was a reversal of the original plan in many points.

After these changes had been made by Mr. HOSHINO and the other Economic Ministers of the Cabinet, the plan became substantially as it reads now and was finally approved by the Cabinet. The Planning Board had nothing to do with the execution of the plan which had to be done by the Commerce and Industry Ministry. The new economic plan looked to a partial transfer of control of industry from the government to the businessmen of the control associations so that under the plan there would be less government control than formerly.

The Planning Board's aim under the more and more difficult conditions of the time, was a self-sufficient economy for Japan, pointing to a bloc economy relationship with Manchukuo and China. Japan was to be the center of the highly developed industry because it was more advanced in those lines. Manchukuo and China would emphasize the raw material and basic industries. The industries in North China and Manchukuo were included in the planning because these had been included in the economic plans for the past several years, being already integrated with the Japanese economy. Japan, China and Manchuria under the circumstances then prevailing, from the point of view of natural resources and production techniques, are interdependent and they did not seem to be prosperous without each other's cooperation.

Next I shall speak about the population policy, which is also contained in Exhibit 865. At this time the percentage of population increase in Japan was declining due to the change in social conditions in Japan and the war in China. In its execution the plan presupposed a state of peace and was aimed at the year 1960. Its real effects would not have been seen until that time. Furthermore, one of its immediate effects would be a decrease in the labor supply, since the plan aimed at the encouragement of marriage and restriction of employment of women over twenty years of age, and this meant a decreasing number of women laborers in the factories. It was a paper plan, which was very visionary.

The plan was prepared in the Welfare Ministry and was to be carried out by that Ministry. At that time it was the custom for such plans to be explained by the Planning Board, wherever they might have been proposed. Mr. HOSHINO did not show much interest in the population plan, although I believe he gave some explanation of it, nor did he express any opinion on it.

Mr. HOSHINO gave his resignation to Prince KONOYE in early April of 1941. Five days later, in accordance with the usual custom, I tendered my resignation to the new President of the Planning Board and it was accepted.

Dated this 19 day of September, 1947, at Tokyo, Japan.

/s/ Tadayoshi OBATA (seal)

Sworn to and subscribed before me on the above mentioned date and place.

Witness: /s/ Masao MIGITA (seal)

O A T H

In accordance with my conscience I swear to tell the whole truth, withholding nothing and adding nothing.

/s/ Tadayoshi OBATA (seal)