

Ex 2475

Def. Doc. No. 1005

INTERNATIONAL MILITARY TRIBUNAL FOR FAR EAST

The U. S. A., et al,)
- vs. -)
ARAKI, Sadao, et al.)

A F F I D A V I T

I, TANAKA, Shizuka, swear on my conscience that the following statement is true to the best of my knowledge and belief:

I was in the employ of Finance Ministry of Japan since April 1923 when I was graduated from Tokyo Imperial University, the 12th year of Taisho to July 1932 when I was selected as one of the group of young officials for the posts in the Manchukuo Government. We all arrived in Hsinking 17th July 1932 and assumed the new posts. From that time I was in the service of Finance Department (later called Economic Department) of Manchukuo Government until the end of 1937 when I assumed the post of the directorship of Manchuria Heavy Industry Development Co. on its establishment. In October 1944, I was selected to be one of the directors of Manchuria Steel Works Corporation and remained in the same position until the end of this war.

After the foundation of Manchukuo the most fundamental problem of great importance confronting the new state was the establishment of financial basis and unification of currencies. However, there could be found no fitting personnel available for the post who could undertake this kind of work. Manchukuo Government, then, requested the Japanese Government to send some officials who were acquainted with this kind of business to undertake the task. I was chosen for this post with Mr. Hoshino, Naoki and others by Mr. Takahashi, Korekiyo, then Finance Minister of Japan, and Mr. Ono, Ryuta, then Chief of the Secretariat Division thereof. When we were told by them about going over to the

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far away new state of which we knew very little, we all, and especially Mr. Hoshino, declined to accept the posts, but after their persuasions, we decided to go realizing that some should go anyway.

I recollect being told by viscount Saito, Makoto, then Prime Minister and assassinated in 1936, when we took leave of him that we should be going over there not as Japanese officials but to become the officials of Manchukuo and keep this fact always in mind while being in the service.

On arrival in Hsinking I was appointed the Chief of Finance Bureau in the Finance Department, while Mr. Hoshino, the Chief of General Affairs Bureau in the same department. The Minister of Finance was then Mr. Hsi-Hsia and Vice-Minister thereof was Sun Chi-Chiang and after Mr. Hsi-Hsia was relieved of the post, Mr. Sun was promoted to the Minister and Mr. Hung Wei-Kuo was appointed the Vice-Minister.

The Finance Department consisted then of the following three bureaus; namely, General Affairs, Finance and Revenue. The Finance Bureau was chiefly engaged in the business concerning banking and currency, while Revenue Bureau had taxation and custom duties.

The duty of the Chief of the General Affairs Bureau was to maintain the coordination and unification of the business among all other bureaus, and has no such superior position to the Bureau Chief as the Vice-Minister had.

As it has very often proved difficult to discharge business in such position from a practical point of view the office of the Chief of General Affairs Bureau was abolished later when the reorganizations of various departments were carried out.

It was a little before assuming our new duties in the Manchukuo Government that it started to take over the administrations of Kirin-Heilung-Kiang Salt Monopoly Office, Liaoning salt administration office and Maritime Customs one after another and to separate the financial office from every provincial government so as to put it under the control of the Finance Department and thereby to concentrate the profit from salt monopolies, salt taxes, maritime customs and internal revenues in the same department. However, being without any definite prospect as to how much of these incomes could be realized, the government could find no other way than to live on a monthly budget which was extremely partial. Under such circumstances we were instructed to endeavor to find an estimated amount of yearly income within as short a time as possible.

On the other hand, the Central Bank of Manchu which had opened its business on 1 July 1932, had set on the work of unification of old currencies with a new currency issued by it. As the most important task which the government was then confronting was the maintenance of the value of the new currency, it had to avoid by all means the unbalance of income and expenditure and loans from the Central Bank. But due to the unsatisfactory conditions of peace and order, the prospect of income was pessimistic, and in addition thereto increase of expenditure became unavoidable to defray the expenses for reconstructive works for the damages caused by floods in North Manchuria. Therefore, a plan was suggested in the government for raising a loan in Japan, which if it could be realized, would as well contribute to the maintenance of the value of the currency. The government sent Mr. Hoshino, the Chief of the General Affairs Bureau of the Finance Ministry which took charge of the matters pertaining to the loan and Mr. Yamanari, Vice-President

of the Central Bank, to Japan for negotiating loans in October of the same year. As I recollect, a report soon came from them in Tokyo telling us that the banking circles in Tokyo were not as favorable for the loan to be floated as was the Manchukuo Government as they were afraid there might be small hope of marketability of it, and further, that, if they would agree to the floatation of the loan, they would surely demand a guarantee as they used to do for a loan to China.

After the deliberation in the government, it was decided that profit from opium and salt monopoly should be made the security because such revenue from taxations and customs were not considered proper for the purpose, and it was also decided that the monopoly profits should be made securities only on condition that it would be free for Manchukuo to change the monopoly system whenever it might be necessary. We then instructed Mr. Yamanari and Mr. Hoshino accordingly. Later, on receiving the notice from them that the negotiation had been taking a favorable turn through the good offices of Mr. Takahashi, the Finance Minister of Japan, and that the ¥30,000,000 loan would be floated as was expected by us, the Government of Manchukuo took measures necessary to carry out this loan agreement. The law concerning the state foundation loan was thus promulgated 16 November 1932 in Hsinking, while in Tokyo the agreement was signed the 19th of the same month by Mr. Hoshino and Mr. Yamanari representing us and by the representatives of Japanese loan syndicate. This loan could be duly repaid as agreed within seven years.

It was in October 1932 when the first Manchukuo yearly budget could be formed. In this budget, least possible expenditure was estimated, the loan from the Central Bank being limited to the amount of little more than ¥10,000,000. Simultaneously with these steps, measures were successfully taken to concentrate all sources of revenue which had been in the hands of various provincial organs under the control of the central government. Thus the yearly budget system could be accomplished ^{in 1933} on a sound financial basis.

As I stated before, one of the most important tasks of the new government was to stabilize and maintain the value of the new currency, and this task was to be done mainly by the Finance Bureau of the Finance Department of which I was then the Chief. When I arrived in Hanking, the government had already started the unification work of currencies. The law concerning the adjustments of old currencies had been promulgated already in June 1932 and the work of redemption of old notes was in progress. However, a greater portion of these notes were still left in circulation and yet to be redeemed. There were about fifteen kinds of such notes which had been issued by various provincial banks under the old regime, and which had annoyed the people very much, each with its constantly fluctuating value to a greater degree. It was in August 1935 that the unification of the currency was accomplished and in line.

The Manchukuo Government adopted a new currency based on silver as was prescribed by the provisions of the Currency Law of 1932 and endeavored to maintain the value of Yuan equal to the price of 23.91 grammes of pure silver. The new currency was welcomed by Manchurian natives as they had become accustomed to silver dollars and we were able to retain its stability as the overall financial condition in the country was rapidly improving and the balance of payment in the foreign markets was favorable.

We went on with this currency based on silver until 1935 when we finally were ^{compelled to be} divorced from silver in order to save our economy from the difficulties caused by the world silver situation.

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Another important task to be discharged relative to the unification of currency was the arrangement for the withdrawal of the Bank of Chosen notes from Manchukuo. The Bank of Chosen had been entitled to issue its notes even in Manchukuo and the notes had been treated as legal tender in the South Manchurian Railway zone and among Japanese even in Manchukuo proper. The amount of the notes in circulation in Manchukuo was large, of which accurate estimation no one could easily make. In view of the currency unification such a state of affairs was very much undesirable for us, and should be remedied as soon as possible. In November 1935, we were successful in obtaining the understanding of the Japanese Government for the ceasing of circulation of these notes. In August 1936, I was sent over to Tokyo to negotiate further with the Department of Finance concerning such concrete measures as were necessary to carry out the agreement and to liquidate the undertakings to be closed therewith. As a result of this negotiation, the Bank of Chosen notes ceased circulating in Manchukuo from January 1937. This arrangement contributed very much for the integrity and independence of Manchukuo from the economic and financial point of view.

Concerning the economic and industrial activities, it was the definite policy of Manchukuo to treat any of its citizens equally and priority was never accorded to any of them. There were many corporations in Manchukuo, semi-governmental and usual, however none of these doors were ever closed to Manchurian natives for investment therein if it was open for any other citizen. The government even made

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special effort to encourage the investment from Manchurian citizens in case of such shares like those of Manchu Electric Company which was deemed promising, but very few would take them. Generally speaking, they did not show any interest at all in investment in stock. Later the government established in Harbin a stock exchange which was specially intended for the use of Manchurian citizens. In view of this purpose, all the members of this stock exchange were made to consist of Manchurian citizens. However, in spite of such an arrangement Manchurian citizens did not use this institution as we expected.

I was selected as one of the directors of the Manchurian Heavy Industries Development Company in December 1937 on its foundation. The president thereof was Mr. Aikawa, Gisuke, while its vice-president was a Manchurian by name of Mr. Feng Hang-ching. Besides Mr. Aikawa and Mr. Feng, there were six directors including one Manchurian citizen. The idea of Mr. Aikawa's was to develop Manchuria under a well coordinated plan and by such highly advanced and grand-scale methods as were carried on in the U.S.A. and for this purpose he felt keenly the necessity of inviting investments and industrial technics from the U.S.A. All the directors cooperated with him in carrying out this scheme. Mr. Foster Bain of New York was employed to conduct a thorough investigation into the mineral resources of Manchuria, and Brassert Company of New York City was employed to map out a plan for enlargement of Anshan Steel Mill which was to be one of the biggest in the Orient. The Company sent Mr. Asahara Censhichi, Yamamoto, Soj. and Yano, Yoshiki one after another to the United States in its effort to obtain investment and other cooperation from industrialists there.

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Through their efforts they could solicit the investment and cooperation from Westa Machine Company of Pittsburgh, Pennsylvania. Unfortunately, an unexpected development and the expansion of the China incident in 1937 and thereafter, put an obstacle in achieving a desired end, as the public opinion in foreign countries, especially in United States, became unfavorable to such undertaking. Mr. Aikawa and all of us concerned worried over the situation, but the affairs were taking a turn from bad to worse.

Since the mission and the ideal of the company had failed in this manner, Mr. Aikawa left Manchukuo as soon as his first term as the president thereof came to an end. What the company aimed at was the peaceful development of Manchukuo and to elevate her to be one of the modern industrial states of the world.

8th April 1947

/s/ Tanaka, Shizuka
TANAKA, SHIZUKA

Sown to and subscribed to before the undersigned officer by the above named TANAKA, at the War Ministry Building, Japan, the 8th day of April, 1947.

/s/ David W. Parsons
Captain, Inf.
Investigation Officer

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Translation Certificate

I, Migita, Masao, of the defense, hereby certify that the attached translation of Affidavit of Tanaka, Shizuka is, to the best of my knowledge and belief, a correct translation and is as near as possible to the meaning of the original document.

/s/ Migita, Masao

Tokyo, Japan

Date April 8, 1947