

Dec. 1856

(75)

The Manchukuo's Capital Fund Appropriation Program for 1939 to finance the Industries in Manchuria.

At the request of the Ministry of Economic Affairs industrial concerns, with capital of ¥500,000 and above, lately submitted to these authorities their plans for operation funds for the fiscal year 1939. The aggregate total of the funds needed by the 40 major industrial establishments included in the five-year plan and 204 other companies is approximately 2.4 billion yen. Of this total, about 1600 million yen represents the operation funds newly required; whereas the remainder is intended for redemption of loans and investments made by some of them to their affiliates. The total of the operation funds primarily scheduled by the Economic Ministry was ¥1,460,000,000. So the funds which are now actually needed shows an increase of 140 million yen above it. Incidentally, out of the abovementioned total 2400 million yen, 1,967 million yen represent the funds required by

The principal concerns covered by the 5-year industrial plan (or 81%), the remaining 425 million yen (19%) being the funds for companies otherwise.

These funds classified by industries may be summarized as follows: (unit: ¥1,000)

Mining & Metal Industry	1,146,241
Transportation	380,289
Forestry	204,785
Machinery & arms	159,306
Electricity & Gas	138,030
Chemical industry	134,357
Food stuff processing	42,182
Cotton spinning	32,905
Ceramics	25,981
Telegraph & Telephone	20,532
Miscellaneous	35,639
Total	2,392,951

The Manchukuo Government's mobilization program on war materials and its low price policy.

The mobilization program on war materials for the fiscal year 1939.

Discussions and negotiations have been under way between the authorities of the Manchukuo Government, the Japanese Government and the Kwantung Army Headquarters on the subject of mutual supply of the materials required for carrying out the headed program, and it is expected that this program will finally be decided within short.

Needless to say, this program is based upon the fundamental idea of materializing the self-supply economy, and emphasis is laid on the following point:

To cope with the new development of situation in East Asia, this program aims at the self-supply for the economic block of East Asia which includes Japan, Manchukuo and China.

With a view to acquire foreign currency funds

which will be necessitated in prosecution of the industrial development plan of Manchuria. The export trade bound for the third countries will be encouraged as far as possible.

As regards import, this will be limited to the war materials and those which will be required for carrying out the 5-year plan.

Export to Japan of the products of Manchurian heavy industry, including pig iron, coal, etc. will be encouraged to the fullest possible extent.

Enforcement of a low-price policy by The Manchurian Government.

In the latter half of last year, the whole-sale prices showed a decline temporarily. They, however, again started to make an upward movement at the advent of the current year; the retail prices naturally, has followed suit to go upwards. Thus, the system of official prices proved to carry no positive power to halt the rise of prices. In view hereof, the Government has lately made up their mind to make a drastic change over the existing price-system, and the government authorities are now rush investigating how and to what extent it is to be modified. The policy adopted and followed by the government during last year was that the government tried on one hand to help enrich the supply of commodities and materials, and it, ^{on the other,} controlled the prices and the distribution of goods, - making the interest of the suppliers its starting point, based on the production cost and the demand and supply. This policy turned out to disproportionately benefit the trader

Sulphate of ammonium

Kaoliang

Maize

Millet

Buckwheat

ground nuts

Hides, skin & leather

Bristle

Hemp seeds

Perilla seeds

Sesamum seeds

Sweeping (cereals)

Raw silk, wild (excl. waste)

Coal & briquettes

Rice & Paddy

Aquatic products

Timber & wood

Raw ginseng

Rayon piece goods

and to meet the interest of the buying public. Here lies the need of drastic amendment of the current price control. The key-points of the low-price policy now contemplated by the government are:

- 1) The Government will work out two different sets of measure in relation to the foreign trade, one for the import and other for the export.
- 2) With regard to the export, the government will set forth two different sets of official prices, namely one group of export price and another of domestic prices.
- 3) As regards imports, the prices ruling in Japan will be taken as basis, and thus the prices of imported goods will be raised to the level of the prices ruling in Japan plus import duty, freight and other charges.
- 4) So far no control law to rule the commodity prices has been enacted. The government will therefore work out a price control law or commodity distribution and ration law so that its price control measure may get a legal basis in its prosecution.

- 5) For carrying out the price control the Government will set up a system of economic tutos.
- 6) In case of need, the current import tariff will be revised so that the specific duty and the ad valorem duty can keep an adequate balance with one another.

The Manchukuo Government's Control over the industry in Manchuria and its "Special Budget System" to finance its investments.

Manchukuo is a state for defense by born; that is, Manchukuo is the vanguard of the East Asiatic block in the terminology of Japan's continental policy. The Power, the only power that may threaten the security of the far eastern economic sphere under Japan's leadership would be nothing other than the one who wields its pressure from the North. In the light of such possible tension Manchukuo can certainly not be content with the traditional economic system of which the three types of major industry, namely, the oil extraction from beans, the flour milling and the spirit-distilling. Looked from the strategical point of view, this status cannot be tolerated. It is quite a natural course of things that the whole Manchukuo has now been mobilized on a production power mobilization program. Japan's mission in dealing with Manchukuo is to reorganize the whole structure of her industry and modify it to a modern economic system with the iron and coal mining and the manufacture of chemicals as its centre by supplying new capitals to this backward state whose life has so far been tied up within the bondage of old-fashioned feudalistic economic framework.

2

The industrial policy of Manchukuo is now characterized by the Measure for Manchurian Economic Construction (of 1st March, 1933), which can be summarized as follows:

1) The common interest of the whole nation must be placed to the foremost of all considerations. The benefits which may be accomplished out of the efforts in exploiting the natural resources and in developing the industry should not be permitted to be engrossed by the privileged class and must be shared among all the people for their common weal.

2) With a view to efficiently exploit the natural wealth gifted in the country, and to ensure a perfectly coordinating development of all different branches of industry, official control shall be worked out for major industries to ease the rationalization policy to work.

3) In developing the natural resources and the industry, open door policy shall be adopted; thus Manchukuo shall invite world capitals and utilize the technical skill and experience of the advanced countries.

4) With the objective of rationalizing the economic unity of the countries in East Asia, Manchukuo shall endeavour to strengthen the interdependence and mutual assistance between Japan and herself.

The guiding principle of the Government control over the industry is to eliminate all the evils and shortcomings of the traditional capitalistic economic system and to approach the goal of establishing a model land. In short, it is a nationalistic capitalism if such term is allowed to be employed.

In June, 1934, the Manchukuo Government issued a statement on industries in general, and thus put forth its economic policy in a more specific form. And after investigations and deliberations, the Government has decided to put under its control the major enterprises which carries importance looked from the view point of national defense and of industries for public services such as traffic, communications, iron and steel, light metals, gold, coal, petroleum, automobile, sulphate of ammonium, soda, timber, etc., and to take some special measure upon these industries; while the government will welcome general enterprisers to freely advance in other types of industry, through the

4

Government may exercise some administrative control upon such industries in case of need.

The form of control of industry now set forth by the Government provides two divisions, namely, Controlled Industry Division and Free Industry Division as may be noted below:

Class 1. State-owned industries and industries operated by public establishments. Under this category fall the following businesses:

- (1) Privileged banks. (2) Savings banks. (3) The Central Bank. (4) Business pertaining to issuance of lottery coupons, bonds with premiums. (5) Postal service. (6) Railways (except locals and the Government's exclusive railways. (7) Telegraph and Telephone (including radio broadcast). (8) Air transport. (9) Race horse. (10) Butchery. (11) Live Stock markets. (12) Forestry in the State-owned wooded tracts. (13) Dealings in and processing of opium, cocaine, etc. (14) Gold mining in the State-owned deposits (15) Mining of such minerals which are important items for national defense, such as iron, petroleum, light metal ores, etc. (16) Light metal smelting. (17) Iron and Steel Industry.

- (18) oil shale mining. (19) Electric enterprise
- (20) manufacture of explosives. (21) other types of
munition industry. (22) manufacture of scales,
rules, gauges, etc.

Class 2 - Industries under license: (1) Commercial banks. (2) Insurance business. (3) Local railways (including tramways). (4) Private railways for exclusive conveyance. (5) Motor transport. (6) small-scale water-way conveyance. (7) Marine transport. (8) 'small-scale carriers' business. (9) Fishing on fishery right. (10) Licensed fishing. (11) Forestry based on the assignment of licence for operating forestry. (12) Processing of wool and cotton. (13) Wild game hunting. (14) Plantation of poppy (15) Gold mining in the area other than the state-owned deposits. (16) Colliery. (17) petroleum refining. (18) Gas industry. (19) motor car industry. (20) manufacture of sulphate of ammonium (21) Spirit distilling. (22) Soda industry. (23) Manufacture of tobaccos. (24) Salt industry.

Class 3 - Free industries: (1) Farming and animal husbandry on private accounts. (2) Fishery in general. (3) Processing of farmers and

graziers' products (except the processing of wool and cotton). (4) Lumbering. (5) Commercial transactions of aquatic products (not including salt). (6) Commerce in live-stocks. (7) Commerce in agricultural and forestry products. (8) manufacture of pulp and paper. (9) Sugar refining. (10) Flour milling. (11) Brewery (not including spirit distillery). (12) Processing of food stuffs. (13) Oil and grease industry. (14) Cement industry (this being subject to the Government control with respect to the production). (15) Cotton spinning industry. (16) Dyeing industry. (17) Skin & Hide tanning. (18) manufacture of medicine & drugs in general. (19) manufacture of machineries. (20) Ceramic industry.

The foregoing classification appears on surface to have made clear the boundary of the governmental control and restriction of industries.

In practice, however, there were still many instances where complicated formality was imposed upon even the enterpriser who is interested in the industries which fall under

Class 3 or the 'free industry'. It is not untraceable that whimsical interference by the government authorities upon the enterpriser in this department of industry hampered free and active operation of his business. The Major Industry Control Law enacted under date of May 1937 will help remove the apprehension in such respect prevailed in the industrial circle as it gives a clear-cut definition as to the meaning of the free industry.

The industries which are subject to the Major Industry Control Law are:

Munition industry and basic industry, namely, manufacture of arms, manufacture of aircraft, manufacture of automobile, manufacture of liquid fuel (mineral oils and absolute alcohol), Smelting of iron, steel, aluminium, magnesium, lead, zinc, gold, silver and copper (not including the wet-system of raising gold and silver), Cottony (excepting those whose annual output is below 50,000 metric tons).

Fibre Industry - manufacture of wooden fabrics,

(excepting the enterprise running with hand-driven looms), Cotton spinning, Cotton fabric weaving (except those operating with hand-driven looms), hemp and jute yarn spinning (with the yearly output capacity of 50 metric tons), hemp weaving (excepting those operating with hand-driven outfits).

Chemical industry — manufacture of soda (not including the processing of natural soda), fertilizer (sulphate of ammonium, nitrate of ammonium, superphosphate of lime and nitrate of lime), manufacture of pulp, oil extraction (those who are equipped with no less than 15 units of extracting outfit or extracting press, manufacture of matches.

Ceramic Industry — manufacture of cement.

In enacting the Control Law the Department of Industry stated in its Statement that with regard to the industries which are of prime importance for national defence or the basic industries which are important for

1

The national economy the Government will, based upon the principle of "one enterprise for one industry", endeavour to help promote a limited number of powerful enterprises, and the Government will thus try to bring about the growth of such enterprises as a special enterprise under its guidance and control.

As regards the processing industry of staple products, the government will help it to maintain a harmony with the source of such products and also try to accelerate the improvement in its equipment and other aspects.

As to the major industry which has surplus equipment the Government will try to enable the concerned enterprisers to maintain collaboration among them with respect to the adjustment of demand and supply with due consideration to the consumer's interests, so that their footing can be stabilized.

The characteristic feature of the Government's

10
policy on the control of industry is the system of "one company for one kind of industry" and the system of privileged companies. Of the system first mentioned, this has been developed to a form of synthetic management with the establishment of the "Manchu jūkōgyō kaishatsu Kabushiki Kaisha" in Japanese or "The Manchurian Heavy Industry Development Company" (in December, 1937).

Putting aside the ideological change of the Economic Construction scheme of Manchukuo from our comment, the 5-year industrial plan which primarily calculated a total capital investment of 2½ billion yen has, with its revision of May 1938 necessitated almost a double amount of funds, namely, 4.8 billion yen. With another amendment made a little later, the capital requirements have been expanded to approximately 6 billion yen. Such changes are nothing other than a re-regimentation of the industrial structure and equipment to cope with the quantitative expansion of demand.

Director of the Board of General Affairs, Hoshino,

11

in his speech made on the occasion of the Conference on the 5-year Industrial Plan, met on May 14, 1938, stated in relation to its amendment to the following effect: "on account of the rapid and spontaneous change of the situation occurred just at the moment when the five-year plan paved its first step forward, we are now compelled to thoroughly study and analyze this plan from a new point of view. In other words, with the development of a new international situation which had an effect to connect Japan and Manchuria together with the China Incident as a turning point, it has become necessary for us to form a broad economic sphere which includes the block of Japan and China plus North China, and to rely upon its activity. Amid this outcome, the role which is imposed upon ^{"the Have-got state"} Manchuria is gaining ever-growing prominence. The establishment of the Manchurian Heavy Industry Development Company in December last year signifies, as you are aware, a system implemented for mobilizing all the

12

enterprises connected with the department of heavy industry under a synthetic system of enterprise.

The 5-year plan, as a result, has been markedly increased in its magnitude and also in its speed in its prosecution, and it has now been developed to assume a form which would enable the 5-year plan to make a great headway with an accelerated pace." He went on to say further that "As regards the system of production in carrying out this plan, we undividedly lay stress on how to enhance the efficiency with an organic and synthetic operation of the whole industry, and needless to say we entertain much hopes upon the merits of the operation of the Manchurian Heavy Industry Development Company."

The companies in Manchuria, who are affiliated with the above company are (as of November 25, 1938; unit: yen):-

Holding Company :	Date of Establishment	Capital, subscribed (unit: yen)
Manchuria Jukogyo Kaisha Kaisha -	Dec. 1937	450,000,000

Companies with direct investments made by

M. J. K. K. :

Showa Steel Works	Mar. 1938	125,000,000
Manchuria Tanko Kaisha	" "	64,000,000
Manchuria Kei Kinzoku Seizo Kaisha	" "	31,250,000
Manchuria Seikin Kaisha	" "	12,000,000
Dowry Jidosha Kogyo Kaisha	" "	6,200,000
Manchuria Kozan Kaisha	Feb. 1938	25,000,000
Manchuria Hikoki Seizo Kaisha	June, 1938	5,000,000
Teikendo Kaisha Kaisha	Sept. 1938	10,200,000

Companies with indirect investments of the
Manchu Jukogyo Kaibatsu Kaisha:

	Capital, paid up
Tohendo Kaibatsu Kaisha	¥ 10,200,000
Manchu Magnesium Kogyo Kaisha	¥ 2,500,000
Anpo Kogyo Kaisha	500,000
Jehol Mining Co.	300,000
Manchu Zenko Kaisha	4,000,000
Fushin Cement Co.	5,000,000

The system of "one company for one enterprise" is one of the two major factors which form the backbone of the industrial control policy of Manchukuo. Another feature of this governmental control is the fact that it embraces a system of "special companies" which still form the nucleus of the whole industrial structure of Manchukuo. This is a departure from the traditional economic structure, which was designed by the Manchukuo Government to accelerate the industrial development, repudiating the evils of the capitalism. Without exaggeration, we may say that almost all of the enterprises

participated in the economic construction of Manchukuo are "special companies" or "semi-special companies" with monopolistic privileges granted by the government, operating under the government's direct control or protection. They are the industrial organizations created through the mobilization of capital as a measure for materializing the economic construction of Manchukuo, that is the supreme requisite — creation of Japan-Manchurian economic block — rather than being industrial establishments came into being through the initiative of the capitalists prompted by the motive of acquiring the leadership in the relevant branches of industry and also of pursuing business profits. As a matter of ordinary formula, these companies should have been put under socialistic, public management. However, through a reason connected with politics, and in order to make it easier to secure an inflow of capital from Japanese capitalists who are coward it was necessary for the Manchukuo government to give them a sort of assurance for a certain level of profit.

The "special company" is subject to the Corporation Law and the Special Corporation Law; and all such processes: nomination or discharge of directors, important change or memorandum of association, disposal of business profits, decision for merger or dissolution are required to get prior approval from the government. These laws also provide that the special company has to file with the government its annual business program prior to the start of each fiscal year. The government as a rule keeps supervision over such establishment and issues order to it in case of need for public interests. For the semi-special company there is no special law applicable thereto. But it is customary that the government issues order at the moment when it approves application for establishment of a company of this type so that such company is required to obtain a prior approval from the government for nomination or discharge of its directors, for disposal of business profits, etc.

The following is a list of special and semi-special companies which constitute the basic structure of the Manchurian industry (as of the end of July 1938; unit: ¥1,000):-

The Special Companies of Manchukuo:-

	Date of Establishment	Capital	
		Subscribed	Paid up
Manchu Central Bank	June, 1932	30,000	15,000
Manchu Kogyo Ginco	Dec. 1936	30,000	15,000
Manchu Explosive Sale Co.	Nov. 1935	500	375
Manchu Petroleum Co.		20,000	15,000
Manchu Keiki Kaisha	Oct. 1936	3,000	1,500
Manchu Synthetic Fuel Co.	Aug. 1937	50,000	10,000
Manchu-Yalu River			
Hydro-electric Power Co.	Sept. 1937	50,000	12,500
Manchu Yuka Kogyo K.	Feb. 1938	20,000	5,000
Manchu Tocho K.	April 1937	2,000	1,000
Dowa Automobile Industry Co.	Mar. 1934	6,200	6,200
Mukden Ordnance Works	Jul. 1936	4,600	4,600
Manchu Aircraft Mfg. Co.	June, 1938	20,000	5,000
Manchu Light Metal mfg. Co.	Nov. 1936	25,000	12,500
Manchu Colliery Co.	May, 1934	80,000	48,000
Manchu Gold Mining Co.	May, 1934	12,000	12,000

	Date of Establishment	Capital	
		Subscribed.	Paid up
Manchu Mine Development Co.	Aug. 1935	5,000	5,000
Manchu Heavy Industry Development Co.	Dec. 1937	450,000	396,750
Manchu Salt Industry Co.	April 1936	5,000	2,500
Manchu Forest Industry Co.	Feb. 1936	5,000	3,750
Manchu Stock-Breeding Co.	Sept. 1937	5,000	2,500
Manchu Takushoku Kaisha	Sept 1936	15,000	7,500
Manchu Takushoku Koha	Aug. 1937	50,000	30,000
Manchu Cotton Co.	April, 1934	2,000	500
Manchu Life Insurance Co.	Oct. 1936	3,000	1,500
Manchu Telegraph & Telephone Co.	Aug. 1933	50,000	36,250
Manchu Bosen Kaisha	Feb. 1934	30,000	15,000
Manchu Koho Kyokai	Sept. 1936	3,000	2,500
Manchu Motion Picture Association	Aug. 1937	5,000	2,500

Semi-Special Companies of Manchuria:-

	Date of Establishment	Capital	
		Subscribed	Paid up
Japan-Manchuria Trading Co.	Oct. 1936	10,000	6,000
Showa Steel Works	Jul. 1937	100,000	100,000
Manchu Chemical Industry Co.	May 1941	25,000	25,000
Manchu Electric Industry Co.	Nov. 1934	160,000	107,500
Manchu Soda Co.	May, 1936	8,000	6,000
Mukden Spinning Co.	Nov. 1936	4,500	4,171.5
Manchu Bean Stalk Pulp Co.	Sept. 1937	10,000	5,000
Benhsihui Steel Works	Sept. 1935	10,000	10,000
Manchu Airways Co.	Dec. 1932	13,970	13,970

Later, the Showa Steel Works has increased its capital to 200 million yen; while the Tungpientsu Development Company has been newly established with a capital of 20 million yen.

The Manchukuo Government's investments to the special and semi-special companies date back to 1934, and these are now handled and controlled by the Ministry of Economic Affairs.

The government's investments and funds advanced or loan out of its special budget are as follows:

In the fiscal year 1934: (unit: ¥1,000)

Manchu Airways Co.	1,100	(Investment)
Dowa Automobile Co.	200	"
Manchu Electric Tramway Co.	205	"
Manchu Petroleum Co.	658	"
Tsuan Steamship Co.	225	"
Manchu Electric Industry Co.	1,386	"
Keiryu Gassakusha Rengokai	900	(on loan)
Fund for City-Planning Work	627	"
Municipal Government of Changchung	6,800	"
" " Harbin		

In the fiscal year 1935:

Mantden Industry & Estate Co.	2,464	(Investment)
Manchu Mining Development Co.	750	"
Manchu Explosives Co.	187	"
Manchu Gold Mining Co.	662	"
Manchu Takushoku Kaisha	3,000	"
Keiryu Gassakusha Rengokai	600	(loan)
Fund for City-planning Work	2,394	"

In the fiscal year 1936:

Manchu Forestry Industry Co.	1,250	(Investment)
Manchu Salt Industry Co.	312	"
Manchu Airways	1,050	"
Manchu Takushoku Kaisha	1,000	"
Manchu Life Insurance Co.	750	"
Manchu Keiki	750	"
Manchu Light Metal Mfg. Co.	2,500	"
Manchu Kogyo Ginko	7,500	"
Manchu Petroleum Co.	1,250	"
Kiingyo Gassakusha Rengokai	400	(loan)
Fund for City-planning work	2,503	"

In the fiscal year 1937:

Manchu Forestry Industry Co.	625	(Investment)
Manchu Airways Co.	1,690	"
Manchu Tosho	500	"
Manchu Takushoku Kaisha	1,000	"
Manchu Colliery Co.	8,000	"
Jehol Mining Co.	200	"
Manchu Gold Mining Co.	1,325	"
Manchu Synthetic Fuel Co.	3,400	"
Mukden Industry & Estate Co.	2,750	"

In the fiscal year 1937:

Manchu Motion Picture Association	625	(Investment)
Chosen Yalu River Hydro Electric Co.	6,250	"
Manchu Yalu River Hydro Electric Co.	6,250	"
Manchu Takushoku Kosha	9,000	"
Manchu Bean stalk Co.	500	"
Manchu Petroleum Co.	1,250	"
Manchu Salt Industry Co.	313	"
Manchu Light Metal Mfg. Co.	2,500	"
Manchu Electric Industry Co.	2,212	"
Koho Kyokai	500	"
Manchu Stock-Breeding Co.	1,375	"
Manchu Kogyo Ginko	65,000	(loan)
Manchu Cotton Co.	2,500	"
Kinyu Gassatsusha Rengotai	100	"
City-planning work fund	3,915	"
Agriculture Development fund	839	"

The investments and credits which are scheduled for the fiscal years 1938 and 1939 are as follows:

	1938	
Manchu Tosha	500	(Prospective investment)
Manchu Takushoku Kosha	990	"

1938

Manchu Yuka Kogyo	6,250	(Prospective investment)
Manchu Electric Industry Co.	2,212	"
Manchu Synthetic Fuel Co.	6,800	"
Koho Kyokai	350	"
Manchu Airway Co.	1,130	"
Manchu Motion Picture Association	625	"
Manchu Mining Development Co.	750	"
Manchu Salt Industry Co.	625	"
Manchu Bosan	5,000	"
Keiyu Gassakusha	400	(Prospective loan)
Keiyukai Rengokai	1,000	"
City planning work fund	4,500	"
Manchu Takushoku Kosha	6,000	"

1939

Manchu Toshio / Publishing Company /	250	(Prospective investment)
Manchu Takushoku Kosha	5,010	"
Manchu Electric Industry Co.	2,212	"
Manchu Yuka Kogyo	5,000	"
Manchu Gold Mining Co.	19,600	"
Manchu Keiki	2,500	"
Manchu Synthetic Fuel Co.	10,200	"

1939

Koho Kyokai	150	(Prospective investment)
Manchu Airways Co.	2,000	"
Manchu Motion Picture Association	625	"
Manchu Salt Industry Co.	5,625	"
Chosen Yalu River Hydro Electric	12,500	"
Manchu Yalu River Hydro Electric	12,500	"
Mukden Ordnance Works	10,200	"
Manchu Petroleum Co.	1,750	"
Jehol Mining Co.	200	"
Manchu Cotton Co.	4,750	"
Manchu Stock-Breeding Co.	7,500	"
Kiungu Gassatasha	400	(Prospective loan)
City-planning Work fund	9,500	"

Besides, the Manchukuo Government during 1938 and 1939 made investments to a number of industrial establishments, as listed below, out of its reserve funds:

In the fiscal year 1938:

Manchu Heavy Industry Development Co.

1st instalment	¥ 198,375,000
2nd "	26,625,000

Manchu Electric Industry Co.	2,212	(Prospective investment)
Manchu Yuka Kogyo Kaisha	5,000	
Manchu Gold Mining Co.	19,600	
Manchu Keiki	2,500	

Manchu Explosives Sale Co.

last instalment	¥ 625,000
Kotoku Iron Mine	¥ 2,000,000
Manchu Petroleum Co, 1st instalment	¥ 1,750,000
Manchu Stock Breed Co.	1,375,000
"	2,500,000
Manchu Mining Development Co.	15,000,000
Manchu Electrochemical Industry	
1st instalment	5,000,000
Manchu Forestry Industry Co.	625,000
"	9,000,000
Manchu Yalu River Hydro Electric	6,250,000
Chosen Yalu River Hydro Electric	6,250,000
Manchu Cotton	4,000,000
Manchu Stock Feed Co.	3,250,000
Manchu Tobacco	250,000

In the fiscal year 1939:

Manchu Sulphate of Ammonium	¥ 6,250,000
Manchu Special Paper Mfg. Co.	250,000
Manchu Seikatsu Hitenjushin	
Haitayu Kaisha	2,000,000
Manchu Bosan	36,846,000 (Subsidy)

Thus, there have been established a large number of companies since the date of foundation of Manchukuo, with financial support of the Manchukuo Government as may be noted from the following list (as of the end of June 1938):

	Capital (¥)		(¥)
	Nominal	Paid-up	Government Investments
Manchu Central Bank	30,000,000	15,000,000	15,000,000
Manchu Airways Co.	13,970,000	13,970,000	4,970,000
Manchu Telegraph & Telephone Co.	50,000,000	36,250,000	6,000,000
Taian Steamship Co.	350,000	350,000	287,500
Manchu Petroleum Co.	20,000,000	15,000,000	7,000,000
Manchu Cotton Co.	2,000,000	500,000	1,000,000
Manchu Gold Mining Co.	12,000,000	12,000,000	4,980,000
Manchu Electric Industry Co.	160,000,000	107,500,000	26,540,400
Manchu Mining Development Co.	5,000,000	5,000,000	2,500,000
Penhsiku Steel Works	10,000,000	10,000,000	4,000,000
Manchu Explosives Sale Co.	500,000	500,000	250,000
Manchu Forestry Industry Co.	5,000,000	3,750,000	2,500,000
Manchu Salt Industry Co.	5,000,000	2,500,000	1,250,000
Mukden Ordnance Works	4,600,000	4,600,000	2,300,000
Manchu Koho Kyokai	3,000,000	2,500,000	1,542,000

(¥)

	Capital		Government Investments
	Nominal	Paid-up.	
Manchu Life Insurance Co.	3,000,000	1,500,000	1,500,000
Manchu Keiki Kaisha	3,000,000	1,500,000	1,500,000
Manchu Industrial Bank	30,000,000	15,000,000	15,000,000
Manchu Toshiba K.K.	2,000,000	1,000,000	1,000,000
Jehol Mining Co.	1,000,000	600,000	400,000
Manchu Synthetic Fuel Co.	50,000,000	10,000,000	17,000,000
Manchu Motion Picture Association	5,000,000	2,500,000	1,250,000
Manchu Stock-Breed Co.	5,000,000	5,000,000	2,750,000
Manchu Takushoku Kosha	50,000,000	33,300,000	15,000,000
Manchu Bean Stalk Pulp Co.	10,000,000	5,000,000	1,000,000
Manchu Yalu River Hydro Elec.	50,000,000	12,500,000	25,000,000
Chosen Yalu River Hydro Electric	50,000,000	12,500,000	25,000,000
Manchu Heavy Industry Development Co.	450,000,000	396,750,000	225,000,000
Manchu Bosen K.K.	30,000,000	15,000,000	10,000,000
Manchu Yuka Kogyo K.K.	20,000,000	5,000,000	10,000,000
Kotoku Tetsuzan K.K.	3,000,000	3,000,000	2,000,000
Total	¥ 1,083,420,000	749,570,000	434,769,900

As far as the special and semi-special companies are concerned, the investments ^{made} by the South Manchurian Railway Companies used to be overwhelmingly large in the past. However, the 5-year industrial development plan, which was started in 1937, has drastically changed this situation around the route of capital-supply. In other words, with the advent of this plan, the position of the S.M.R. has been lowered; whereas the Manchukuo Government has become to assume a markedly increased gravity. Meanwhile, the accumulation of capital funds which are indigenous in Manchukuo proved to be altogether immaterial and far from being sufficient to cover the major proportion of such extensive plan. Hence, it was imperative for Manchukuo to derive supply of capital from Japan.

The bond between the public finance of Manchukuo and the national economy is very close and solid. When the liberalism of economics was in its prime the State received a drastic limitation in its activity.

"The best of all the governments policies in the public finance is the one which would cost minimum of expenditure, in the words of J. B. Say.

This is the axiom of the classical theory of public finance. The State-finance and the national economy of Manchukuo makes a clear-cut contrast to this Western theory. The Manchukuo Government is spending an enormous amount of money in the form of investments and loans to the privileged industries, and the rôle which its "special budget" plays is really significant. The accomplishments, favorable or unfavorable, by these government sponsored enterprises would certainly give not a negligible amount of influence upon the sound development of its measures on public finance.

S.A. 3
Sack 2
Item 39

The 2nd-year's results of the Manchukuo five-year plan for industrial development, and re-analysis and study thereof.

/AKITA/

Volume 3,
Issue 2, pp. 70-78

The five-year plan of the Manchukuo Government for industrial development is now going to enter into its third year and the role it plays in the economic field for creating a new East Asia is becoming to assume a greater weight.

The central subjects of this plan are mining and heavy industry and agriculture, including the branch of stock-breeding. Traffic and communications are also included in this plan. A coordinated migration program is under way as well. The results obtained during last year, the 2nd year of this five-year plan, recently released seem to be favorable and can be summarized as follows:

The results of the second year of the 5-year plan for industrial development.

Mining & other industries:

The two branches of industry, namely, Iron & Steel and Electric Power Supply, made, ^{generally speaking,} an advance ahead of the scheduled goal, though we witness in certain parts of the whole field some delay owing to the reasons connected with the process of financing

foreign exchange and the transportation.

When compared with the first year, all the different branches of industry showed some advance, except the salt industry which was to the extent of 33% behind the output accomplished in the preceding year.

Mining: The production of pig iron showed an increase of 17% when compared to that obtained in the first year; the production of steel of the 2nd year reached a level of 50% increase above that of previous year. While the production of steel ingots has shown an 18% increase.

When compared with the scheduled quotas for the 2nd year, the actual output of pig iron was 99%, that of steel 112%, steel ingots 95%. In the construction of the furnaces and other allied equipment home-made materials and outfits have been employed, and yet a result much better than what was primarily calculated has been accomplished.

Electric Power Supply: Thanks to the indents sent out well ahead for materials for laying down

foundation works, electric generators and water-turbines this department showed a remarkably favourable progress, and we now find that the results accomplished during the past two years exceeded what had primarily been scheduled.

Coal: chiefly due to the shortage in the supply of such types of labor as coolies and miners, the production fell short of about 1,100,000 tons to fulfill the 2nd year quota, but when compared with the result obtained in the first year, the output of the year under review is an increase of about 5%.

Liquid fuel: owing to the difficulty in obtaining supply of necessary materials, the new constructional works attempted by all the companies in the trade seem to be somewhat delayed.

Chemical Industry: The branches of Soda Ash and sulphate of ammonium appear to have made a favourable progress. As to Pulp industry, ^{as a whole} however, has not reached the scheduled level owing to the fact that

The natural resources of the Khyngan area has not been exploited on a full-scale yet.

Non-ferrous Metals: zinc, lead, Copper, aluminium, Magnesium, etc. Enterprisers in this branch of industry are now concentrating their energies on expanding their equipment. However, such attempt is not implemented yet. The output accomplished by them felt, under these circumstances, 25% short of the scheduled quota.

Salt: The production of salt was owing to the extraordinary amount of rainfalls about 40% below the quota set for the 2nd year.

Those departments of industry such as automobiles and aircraft, could hardly approach their scheduled goals owing to the necessity of inviting Western technical help and capital. It is, however, in prospect that these industries will be put on a right track before long.

Gold: The enterprisers in this area are principally interested in exploiting gold-dust. The 2nd year's output, however, was something less than the scheduled turnover due to the scarcity of labor, to the re-organization of the mining company, and to some other negative factors prevailed. The yield accomplished

for the 2nd year was approximately 13 million yen worth.

Agriculture and Stock-breeding: The 1934 yields, marred by floods and drought, were unfavorable. The results of the cultivation of the staples covered by the 5-year plan were also not exempt from this. Another adverse factor that the "Koji Gassakusha" or the collective-farming company was still under way of the making, accounted for the weak point in carrying out the 5-year plan. However, thanks to the expansion of the farming acreage, the crops raised during the 2nd fiscal year were nearly up to the scheduled figures. We shall now review the result accomplished on each species of the farm products.

Cotton: Owing to the unusual rigor of cold weather only 245,000 acres germinated out of 294,000 acres of plantations. Later, however, the conditions of the plantations improved, and the 2nd-year could accomplish comparatively favorable yields.

Wheat: unfavorable owing to the damages caused by the floods and the extraordinary amount of rainfalls prevailed.

Soya Beans, Rice and Tobaccos: The crops were something above the level which had been anticipated.

Flax: generally speaking, the crops of flax are favorable. The yield of wild silk too is found to be nearly up to the scheduled figure.

Stock-Breeding: No accurate survey of the yearly yields is possible due to the difficulty in obtaining the necessary data as to the number of animals.

We may, however, say that no decrease in number of animals occurred in the year under review.

Rather, this branch can be said to have been making a progress as had been primarily calculated. As regards the improvement of the breeds, a further research and investigation are considered imperative with reference to the peculiar climatic conditions, epidemics, etc.

Reclaiming: It was originally planned to carry out settlement of 10,000 households of emigrants in the first year and 15,000 households in the 2nd year. Owing to the outbreak of the China Incident, this plan was obliged to be modified to some extent. With a view to cover this drawback, youngmen's volunteer corps came to the foreground. No less than 14,889

7

who belong to this body migrated to Manchuria. Thus, as far as this branch is concerned the result accomplished far exceeds the scheduled level.

Traffic and Communications: Railways, roads, and ports and harbours have accomplished an advance almost up to the scheduled level. Particularly, the branch of communications has made a remarkable progress.

Finance and Banking: The total capital fund needed for the 2nd year was 850 million yen, including that required by the South Manchurian Railway Company; of which the ^{yen-}funds actually financed were in total 461 million yen. The fund thus raised can be analysed as follows: the Government bonds 150 million yen, and the funds financed for the privileged companies 311 million yen. The procurement of the yen-funds have been favorably accomplished except 15 million yen required by the Manchurian Coal Mining Company. As for the foreign currency funds, it was difficult to attain the scheduled result owing to the precarious international situation and the unfavorable development of the export trade. However, it was after all possible

8

to realize a result that corresponds to 80% of the scheduled figures.

: Review and re-analysis of the 5-year plan to cope with the situation newly developed.

Owing to the long dragging warfare, in some branches of industry we witness that the scheduled goals were not attained during the last fiscal year. As the factors ascribable for this outcome, we may mention the difficulty in obtaining supply of the necessary materials for foundation works, the scarcity of technicians and labors, the handicaps on the transportation facilities and some unexpected causes. It is now considered to be imperative under these circumstances to check up the present five-year plan with a view to make it ^{more} fit to the changing conditions. In the light of the results so far attained, the following view is now ruling among influential men in the governmental and civilian circles.

A More intensified centralization of all the mining industry and other branches of industry towards the field of munition industry.

owing to the fact that Japan's capacity to cater for the requirements of Manchukuo has extremely been diminished, such auxiliary industries like machine parts, belts, etc. should be promoted in Manchuria as far as possible, and no time should be lost to bring about this.

Some measure should be devised to bring about a closer collaboration between the various industries and the Government. The present administrative machines should be drastically modified in order to have them better adapted to the 5-year plan and to its prosecution.

The procurement of foreign currency funds and the effort to improve the international trade balance are gaining an ever-increasing gravity. The Government should therefore take some positive measure so as to stimulate the export industries, in particular the soya-bean plantation.

Some expedient measure for training engineers is highly desirable. Further, it is advisable for Manchukuo to request the Japanese Government to promptly take steps so that we can expect a material increase in the number of students enrolled in technological schools.

In view of the rapid increase in capital funds needed for prosecution of the planned economy, some drastic measure should be taken to permit easier financing of year funds to cope with the Japanese Manchurian mobilization on war materials.

Technical Research as a central factor in agricultural exploitation.

What has been done in the domain of agriculture along the five-year plan is the extension of the farming area. In future, gravity will be laid upon the research work for improvement of agricultural technique, and some important achievement in this direction is expected, coupled with the activity of the Collective Farming Company and the progress of the reform of arable lands. The following is what the government authorities are at present contemplating with regard to the technical research work and the method of providing guidance to the farmers.

Geological Investigation: The Kungchuling Agricultural Laboratory has been undertaking a preliminary investigation on the diversified formations of farming soils.

It is now highly desirable that research will be conducted with a view to find soils suitable for farming of each and every important kind of vegetables to be planted. The current fiscal year's budget includes an item which would enable the said laboratory to continue its research work. However, a more positive measure is advisable to be taken.

Irrigation: Irrigation particularly for plantation of wheat is an important subject. In Manchuria, however, only the least investment, if not at all, has so far been made in this direction. Both the Government and the farmers have henceforth to closely cooperate, and they should first of all start the work of drilling wells.

Manures: The exploitation-method of farming so far adhered to in Manchuria had an effect to diminish the agricultural returns every succeeding year. Some adequate measure should be taken so as to enrich the soil by providing manures. We have to take up the method of self-supply of manure, and then advance to metal-fertilizers. As a method for the self-supplying of manure, we may recommend that the stalks of the vegetables

available from the farm, which have so far been mostly consumed as fuel, should be applied to the animal-feeding, thereby to accomplish an increase in the amount of animal dung for the purpose of manure. To substitute for the vegetable stalks, timber should be employed as fuel. Thus, it gives rise to a need of developing forestry. A perfect form of agriculture, therefore, can be introduced only when we can see a well-balanced operation of the farming, the grazing and the forestry coordinated one another. For attainment of this end we entertain much hopes upon the activity of the Collective Farming Company and other leading establishments.

Standard farms for improvement of farming:
The Government has worked out a policy to open Standard farms in all the prefectures and thus to give technical guidance to the farming population. The Government has also built up a positive plan in the direction to create experimental stations, which will take up the task of educating the attendants to the Standard farms.

Reclaiming of the arable lands:

The data obtained from the laboratory research work will hereafter be put into practice for trial in the settlers' villages so as to provide a standard for the farmers. The settlers' villages, according to the Government's plan, will be brought up so that it can furnish a model as to the form of farming village and the training of farmers, etc.

Agricultural Tutors: The tutors who are distributed among the various prefectures proved to be lacking in number and also in respect of quality. Increase in number of such type of personnel and improvement in its quality are now being contemplated. They will be in future engaged in a more positive manner in educating the peasant and also in various research works connected with local problems of farming in cooperation with the Collective Farming Company as well as with the "Hsieh-ho-hui" or "Concordia Association" or "Kyowa-kai" in Japanese.

Growth of Auxiliary Industries in line with the 5-year plan.

14

The five-year plan is now a two-year old proposition. The major industries have meanwhile been making a fast and steady progress. Coordinating this development, the auxiliary industries which supply machine parts, building materials, etc. to the heavy industry, are also springing up like a rolling upsurge. This is quite a welcome phenomenon ^{especially} at such moment when difficulties in importing necessary materials from Japan and foreign sources are reported. To mention specifically, during the year 1938. Twenty seven new companies have been established with an aggregate total capital of 58 million yen, while 16 companies have increased their capitals to the extent of about 45 million yen when aggregated. In this connection, we may cite the Showa Steel Works as an example. For erecting four 700-ton furnaces in line with the 3rd and 4th series of its expansion scheme, this company was able to complete the installation of this equipment solely with materials produced in Manchukuo except the ore-cranes and allied outfits imported from Germany. This is regarded as a marvel in achievements of this kind. The Bands

Belt Company is ^{now} going ahead with the scheme of transferring its whole production equipment to Manchuria. Similar plans are making headway by a number of other Japanese industrial concerns.

The below listed are the companies newly established during 1938:

	locality	capital (unit: ¥1,000)
Manchu Bearing Co.	Chanching	2,000
Manchu Magnesium Industry Co.	"	10,000
Toyo Type Industry Co.	Mukden	10,000
Manchu Rikagaku	"	500
Asia Hkaku	"	300
Kyowa Hkaku	"	1,000
Hoten Kiki	"	300
Manchu Optical Industry Co.	"	2,000
Hoten Kingoku Kogyo	"	100
Manchu Asano Cement Co.	"	1,000
Manchu Rissyo Dentsu Seisakusho	"	100
Manchu Fujitama Kogyo	"	500
Asia Kogyo	"	200
Manchu Kikai Kogyo	"	1,000
Penhsiku Special Steel Co.	Penhsiku	10,000

	Locality	Capital
Manchu Aluminium Industry Co.	Mukden	500
Shinryo Rubber Industry Co.	"	300
Inaba Seisakusho	Fushun	500
Manchu Hitachi Seisakusho	Mukden	5,000
Manchu Sharyo	"	5,000
Manchu Dry Battery Co.	"	300
Kokka Rubber Industry Co.	"	1,000
Dowa Kosho	"	500
Manchu Onoda Cement Co.	Chuantou	5,000
Manchu Steel Works	Kishan	2,500
Manchu Showa Tekko	Mukden	500

The companies who have increased their capital during 1938 are:

	Locality	additional Capital
Manchu Cement Co	Liaoyang	500
Harbin Cement Co.	Harbin	4,000
Manchu Kaseki	Haicheng	200
Inkan Yogyo	Chanchung	400
Nichiman Kozai Kogyo	Mukden	2,000
Penhsiku Yobai	Penhsiku	2,000
Manchu Roll Seisakusho	Anshan	5,000
Manchu Kubota Chutetsukan	"	1,000
Manchu Kosho	Mukden	10,000

The companies who have increased their capital during 1938 are:

	Locality	additional Capital
Manchu Kiku	Murden	7,000
Miyata Seisakusho	"	1,250
Manchu Tenushiki	"	2,000
Manchu Kingoku Kogyo	"	500
Hoten Gogyo	"	300
Kyowa Kogyo	"	4,650
Daido Gohai	Kirin	3,000

Reshuffle and Expansion of the Investigation Commission on Scientific Research.

The Manchurian Government has lately been investigating how to reshuffle and enlarge the structure of the headed Commission with a view to implement the mobilization of technicians; and Imperial decree is expected to be issued shortly to materialize its plan. Hitherto this Commission had to function rather in a passive manner, and to undertake such jobs as to examine and sanction the subjects for research to be conducted by the "Tairiku Kagakuin" or the Continental Research Institute. Hereafter the Commission will take an

active part in control of research works in collaboration with all the concerned government authorities and the leadingmen in the civilian and industrial organizations.

The boundary of its duty and general set up are roughly as follows:

All the investigation establishments, experimental and research laboratories will hereafter be required to submit to the Commission their plans for investigations and research work to be taken up. Further, reports on the results of such investigations or researches are required to be filed with the Commission. On the other hand the concerned government offices, & companies can put before the Commission their propositions on investigation, experiment or research with their views and comment.

The set-up of the Commission is:

Section 1: Agricultural division, agricultural industry division, forestry division, fibre division, organic chemistry & industry division, sanitation division, weather division.

Section 2: metal division, fuel division, inorganic

Chemistry division, Mechanical engineering division, geological division.

Section 3: Electrical division, field-engineering division, architectural division.

Plan to create an Industrial Development Planning Commission.

The Manchukuo Government has decided to create the headed Commission as a department of the Planning Commission with a view to let it undertake the job of scheming out a control measure on major industries and also to formulate a plan for industrial development.

The principal subjects which will be taken up by this Commission are:

Planning of industrial development program.

Affairs pertaining to the adjustment and prosecution of each series of the industrial development program.

Affairs pertaining to measures for control and development of the scheduled industries and other major industries.

The Commission will have the following five divisions in its structure:

Division 1 on coal, mining, not including petroleum, and heavy industries.

Division 2 on light industries.

Division 3 on fuel, electric power, gas, etc.

Division 4 on agriculture, stock-breeding & forestry.

Division on traffic and communications.

- Issue 4 [pp 81-82] The MANCHUKUO Government's mobilization program ^{for} ~~was~~ materials and its low price policy.
- Issue 4 [pp 82-83] MANCHUKUO's Capital fund appropriation program for 1939 to boost MANCHURIAN Industries.
- Issue 11 [pp 82-84] MANCHUKUO Government's enforcement of the official quota system to control supply and demand of iron, steel and their products.
- ~~Issue~~ Issue 7 [pp 80-84] Revision of the German-MANCHUKUO Foreign Trade Pact.
- Issue 2 [pp 70-78] 2nd Year results of the 5 year plan for the development of MANCHURIAN Industry and measures for carrying the plan into its 3rd year.

INTERNATIONAL PROSECUTION SECTION

Doc. No. *186*

Date *6/11/46*

ANALYSIS OF DOCUMENTARY EVIDENCE

DESCRIPTION OF ATTACHED DOCUMENT

Title and Nature: *2nd year results of the MANCHURIAN 5-year plan for industrial development and for -analysis and study thereof.*

Date: *1939*

Original Copy Language: *Jap*

Has it been translated? Yes No *in part*

Has it been photostated? Yes No

LOCATION OF ORIGINAL (also WITNESS if applicable)

Document Division

SOURCE OF ORIGINAL: *Ministry of Justice*

PERSONS IMPLICATED:

CRIMES TO WHICH DOCUMENT APPLICABLE: *(HOSHINO, Naoki, only in so far as originator of same)*

Economic Depression - MANCHURIA

SUMMARY OF RELEVANT POINTS (with page references):

"Far East Industrial and Economical Development" published by the DAIREN SHOTO KAIGISHO in January, 1939 ~~Volume 3~~

~~pp 70-78~~

Issue 2 [pp 70-78]

Issue 3 [pp 39-60] The MANCHURIAN Government's control over industry in MANCHURIA and its "Special Budget System" to favor its investments

Analyst: *H. Goldstein*

Doc. No.

W.A. [unclear]

INTERNATIONAL PROSECUTION SECTION

Doc. No. 1856

12 June 1946

ANALYSIS OF DOCUMENTARY EVIDENCE

DESCRIPTION OF ATTACHED DOCUMENT

Title and Nature: "Far East Industrial and Economical Development" published by the DAIREN SHOKOKAIGISHO in January, 1939, Volume 3.

Date: 1939 Original Copy Language: Japanese

Has it been translated? Yes No in part

Has it been photostated? Yes No

LOCATION OF ORIGINAL (also WITNESS if applicable)

Document Division

SOURCE OF ORIGINAL: Ministry of Justice

PERSONS IMPLICATED: (HOSHINO, Naoki, only insofar as originator of same)

CRIMES TO WHICH DOCUMENT APPLICABLE: Economic Aggression - MANCHURIA

SUMMARY OF RELEVANT POINTS (with page references):

Issue 2 (pp. 70-78) Second Year's Results of the MANCHUKUO 5-year Plan for Industrial Development and Re-analysis and Study thereof.

Issue 3 (pp. 39-60) The MANCHUKUO Government's control over industry in MANCHURIA and its "Special budget System" to finance its investments.

Issue 4 (pp. 81-82) The MANCHUKUO Government's mobilization program for war materials and its low price policy.

Issue 4 (pp. 82-83) MANCHUKUO's Capital fund appropriation program for 1939 to finance MANCHURIAN Industries.

Doc. No. 1856

Page 1

Doc. No. 1856 - Page 2 - SUMMARY Cont'd

Issue 11 (pp. 82-84) MANCHUKUO Government's enforcement of the official quota system to control supply and demand of iron, steel and their products.

Issue 7 (pp. 80-84) Revision of the German-MANCHUKUO Foreign Trade Pact.

Analyst: 2d Lt. Goldstein

Doc. No. 1856
Page 2

INTERNATIONAL PROSECUTION SECTION

Doc. No. 1856

12 June 1946

ANALYSIS OF DOCUMENTARY EVIDENCE

DESCRIPTION OF ATTACHED DOCUMENT

Title and Nature: "Far East Industrial and Economical Development" published by the DAIREN SHOKOKAIGISHO in January, 1939, Volume 3.

Date: 1939 Original Copy Language: Japanese

Has it been translated? Yes No in part
Has it been photostated? Yes No

LOCATION OF ORIGINAL (also WITNESS if applicable)

Document Division

~~SOURCE OF ORIGINAL:~~ Ministry of Justice

PERSONS IMPLICATED: (HOSHINO, Naoki, only insofar as originator of same)

CRIMES TO WHICH DOCUMENT APPLICABLE: Economic Aggression - MANCHURIA

SUMMARY OF RELEVANT POINTS (with page references):

Issue 2 (pp. 70-78) Second Year's Results of the MANCHUKUO 5-year Plan for Industrial Development and Re-analysis and Study thereof.

Issue 3 (pp. 39-60) The MANCHUKUO Government's control over industry in MANCHURIA and its "Special budget System" to finance its investments.

Issue 4 (pp. 81-82) The MANCHUKUO Government's mobilization program for war materials and its low price policy.

Issue 4 (pp. 82-83) MANCHUKUO's Capital fund appropriation program for 1939 to finance MANCHURIAN Industries.

Doc. No. 1856

Page 1

Doc. No. 1856 - Page 2 - SUMMARY Cont'd

Issue 11 (pp. 82-84) MANCHUKUO Government's enforcement of the official quota system to control supply and demand of iron, steel and their products.

Issue 7 (pp. 80-84) Revision of the German-MANCHUKUO Foreign Trade Pact.

Analyst: 2d Lt. Goldstein

Doc. No. 1856
Page 2

INTERNATIONAL PROSECUTION SECTION

Doc. No. 1856

12 June 1946

ANALYSIS OF DOCUMENTARY EVIDENCE

DESCRIPTION OF ATTACHED DOCUMENT

Title and Nature: "Far East Industrial and Economical Development" published by the DAIREN SHOKOKAIGISHO in January, 1939, Volume 3.

Date: 1939 Original Copy Language: Japanese

Has it been translated? Yes No in part

Has it been photostated? Yes No

LOCATION OF ORIGINAL (also WITNESS if applicable)

Document Division

SOURCE OF ORIGINAL: Ministry of Justice

PERSONS IMPLICATED: (HOSHINO, Naoki, only insofar as originator of same)

CRIMES TO WHICH DOCUMENT APPLICABLE: Economic Aggression - MANCHURIA

SUMMARY OF RELEVANT POINTS (with page references):

Issue 2 (pp. 70-78) Second Year's Results of the MANCHUKUO 5-year Plan for Industrial Development and Re-analysis and Study thereof.

Issue 3 (pp. 39-60) The MANCHUKUO Government's control over industry in MANCHURIA and its "Special budget System" to finance its investments.

Issue 4 (pp. 81-82) The MANCHUKUO Government's mobilization program for war materials and its low price policy.

Issue 4 (pp. 82-83) MANCHUKUO's Capital fund appropriation program for 1939 to finance MANCHURIAN Industries.

Doc. No. 1856

Page 1

Doc. No. 1856 - Page 2 - SUMMARY Cont'd

Issue 11 (pp. 82-84) MANCHUKUO Government's enforcement of the official quota system to control supply and demand of iron, steel and their products.

Issue 7 (pp. 80-84) Revision of the German-MANCHUKUO Foreign Trade Pact.

Analyst: 2d Lt. Goldstein

Doc. No. 1856
Page 2

a rational prosecution of these major policies.
He went on to say further that the Government will strive to develop the whole fields of the industry by studying those three cardinal policies on a common basis, that in the 3rd year the Government will try to rationally distribute the necessary materials and capital funds among various branches of industry according to the nature and relative importance of various enterprises, and that in ^{appropriating} the materials accumulated out of the increased production in line with the 5-year development plan, which represent the crystallized products of the nation-wide total efforts special care will be taken so that the merits of this industrial plan can be developed to the uttermost.

Enforcement of official quota system by the Manchurian Government, which rules the supply of iron and steel, and their products.

The Government's control of the supply of iron and steel has hitherto been exercised through "The Nichiman Shoji Kabushiki Kaisha" or the Japan-Manchurian Trading Company. This control covered only the raw materials specified as the Series 1 of the officially approved articles. The scope of this control is now extended so that it also covers wire and cast iron pipes which are included in Series 2.

In this connection, the Nichiman Shoji has on November 4, 1939 made public the measure for exercising this control in its enlarged scope. The main points of this measure are as follows:

Control on Wire:

The Nichiman Trading Company will supply

2

wire to the makers in Manchuria of manufactured articles, and in turn the Nichiman buy from these makers their products.

The Nichiman Trading Company will distribute in a logical manner these articles as well as the goods imported from Japan among the consumers at controlled-prices.

The controlled commodities newly added, effective from the 2nd quarter (July-September), 1936 are as follows:

Round wire nails, iron wire, galvanized iron wire (including those covered by the special specification), annealed iron wire, barbed wire, staple-nails, slate-nails, twisted wire, etc.

Method: The domestic makers will get supply of raw materials based on the officially-fixed production quota; while the Nichiman Trading Company will purchase from these makers their products based upon the arrangements made

between the Nichinan and these makers.

The approved makers are those five listed below:

- Shinwa Shokai (Dairen and Mukden)
- Manchurian Zinc Mining Co. (Anshan)
- Manshu Tetsugyo Kosho (Mukden)
- Nakayama Kogyojo (Mukden)

Method of the controlled distribution:

The ultimate consumers (who are included in the ^{Governments} basic list of major commodities for controlled-distribution) and all the provincial governments can get supply of the products quarterly, based on the Commodity Mobilization Program.

For large consumers the Nichinan Trading will supply the products directly, not through the channel of jobbers.

The products will be supplied to the government-designated consumers other than the above-mentioned through the sellers guild. As to

the need of the civilians in general, supply will be distributed through the approved retailers.

The Sellers Guild will be organized with the jobbers designated by the Nichiman Trading Company. The above guild will open its offices in four different places, namely in Dairen, Mukden, Changchung and Harbin, and will handle the distribution in the respective districts under supervision of the Nichiman Trading Company.

The boundary of the Trading area:

The Guild in Dairen

The Kwantung Province

The Guild in Mukden

Fengtien Province

Tunghua Province

South Kiangan Province

Chinchow Province

Antung Province

Jehol Province.

The Guild in Changchung

Changchung Special City

Kirin Province,

Chientao Province.

5

The Harbin Guild:

Pinchiang Province, Pei-an Province,
Heiho Province, Mutankiang Province,
Tunggan Province, Santiang Province,
Lungkiang Province, East Heingan Province,
North Heingan Province.

The approved retailers will be opened in all different points throughout the whole area of Manchuria, and supply the need of civilians. These retailers will be controlled by the sellers guild.

The Controlled-prices: two different types of controlled-prices will be set up, namely, the controlled-prices for the government designated consumers and the controlled-prices for the buyers who get supply through the approved retailers.

The Controlled Distribution of Cast Iron Pipes.

The Nichiman Trading Company will supply Pig Iron to the pipe makers, and the former in turn will buy all the products that will be turned out by the latter.

These products as well as those imported from Japan will be distributed by the hands of the Nichiman Trading Company at the controlled prices.

The cast iron pipe is the only item which falls under the scope of this control measure which will be put into effect from the second quarter (July-September), 1939.

The Production Conference will set production quotas for the makers, and on the basis of such quotas the supply of the raw material, viz. pig iron will be allocated among them.

Revision of the German-Manchukuo Foreign Trade Pact.

The German and the Manchukuo Governments have been through their delegates negotiating in Changchung to partly revise the existing International Trade Pact between the two countries, and the ceremony of its signing has taken place on May 31, 1934 at the prime minister's official residence; Tsai Jung-shang, the Director of the Board of Foreign Affairs and German Minister to Changchung, Wagner, ^{among others,} joined the ceremony and signed the document, representing the respective governments. Thus this revised pact has on the same day been put into force. The revision now made refers to that part of the pact which covers the term relating to the credit which the concerned parties may require to open for one another. The joint communiqué made public at this juncture may be summarized as follows:

The major items covered by the formal

The controlled-distribution of the products:

The products will be supplied quarterly to the government-designated consumers and the provincial governments, based on the commodity mobilization Program.

Sellers Guild will be organized in Changchun.

Official prices for the general retail buyers are now being studied.

3
2

document exchanged between the two governments are:

The personnel who are authorized to sign official papers concerning the operation of what is provided in the Article no. 11 (B) of the Pact;

The list of the commodities covered by Article No. 5 of the Pact;

Extension of the area in which this Pact can be applied with a view to include the Sudetenland.

Director Tsai stated in this connection that the term for the credit set forth in the Pact expires on May 31 of this year; in view hereof, the delegates of both governments have been taking up negotiations in Changchun; that as a result of the revision of the Pact now agreed to between us Manchukuo is rendered possible to

avail of a credit, amounting to 45 million Marks during the period of one year, commencing from June 1, 1939.

The list of merchandise contained in Article No. 5 has now been modified. The limit of ten million yen for Manchukuo's purchase of the items other than those included in the above list has been increased to $12\frac{1}{2}$ million yen.

The territory of German Sudetenland is also added to the area upon which the terms of this part can be applied.

The major changes now made are:

1. When Manchukuo's import of German goods exceeds the limit stipulated in Articles Nos. 1-3 of the Part, Manchukuo can borrow from German banks the necessary funds to finance its purchases to the extent of R.M. 45,000,000 for the period of one year, commencing from June 1, 1939.

2. The above also applies to Germany's purchase of Manchurian products.

3. The funds thus raised can be repayed with the RM funds in deposit with a special account as prescribed in the articles nos. 2, 3 and elsewhere of the Pact.

The results accomplished by the Trade Pact can be summarized as follows:

Manchukuo's import of German goods for the year ranging from June 1936 to May 1937 totals 13 million yen, the main items included being:

Machinery	4 million yen
Iron & steel	2 " "
Dyestuff & coatings	1.6 " "
Cameras	1 " "

Manchukuo's Exports to Germany for the same period totals 53 million yen, the main items being:

For the 1st year:	
Soya beans	37 million yen
Soya bean oil	8 " "
Peanut oil	5 " "

5

For the 2nd year (June 1937 - May 1938):

Manchuria's imports from Germany 22 million yen,
of which the major items are:

Machinery	10½ million yen
Coating & pigment	3.3 " "
Iron & steel	4½ " "

Manchuria's exports to Germany 60 million yen,
the main items of which are:

Soya beans	abt. 42 million yen
Soya bean oil	7 " "
Peanut oil	3 " "

For the 3rd year (^{From} June 1938 up to April 1939):

Manchuria's imports 43 million yen,
the major items of which are:

Machinery	29 million yen
Iron & steel	4.6 " "
Medicines, dyestuff, etc.	4.2 " "
Miscellaneous	0.5 " "

For the 3rd year (From June 1938 up to April 1939):

Manchukuo's exports to Germany Total 130 million yen,
the major items being:

Soya beans	110 million yen
Soya bean oil	8½ " "
Others	1½ " "

This Pact was originally signed in April 1936,
and subsequently revised in August 1938.

The limit for Manchukuo's yearly import
of 25 million yen and that for Germany's of
100 million yen still remain unchanged. But the
scope of the trade on a barter basis has to a
considerable extent now been increased. In other
words, a special method, not relying upon the
settlement by means of foreign exchange, has been
adopted to cover such additional portion of trade.
This is a point worthy of mention.

So far it has been necessary for Germany
in accordance with the original Pact to pay for
three-quarters of her imports from Manchukuo by
Pound Sterling, the remaining one quarter by

Reichs Mark through the Yokohama Specie Bank. Whereas, now both parties can balance any excess beyond the import limit of 100 million yen and 25 million yen respectively with commodities which either can supply in the year directly following the year where the excess was incurred.

Thus the settlement of trade balance has become practicable even not solely relying upon the currencies alien to the signatories. In this respect as well the present revision would not a little contribute to the development of the Germano Manchurian trade.

In particular, the export of soya beans in bulk would be much facilitated, and in addition Manchuria's import of German machineries and materials needed for implementing the five-year plan would be greatly accelerated. Looked from the stand point of Germany, the revised pact would enable her to import from Manchuria a large quantity of raw material required by its oil extraction industry and also stock feed in bulk. She can at the same time

8

open
hold the outlet for the products of its precision
machine industry.

That the trade between the two countries can
from now on save in a large measure the trouble
of making recourse to the foreign exchange for
squaring up the trade balance is another feature
of the revision.

The second year's results of the five-year plan for development of the Manchurian industry, and measures for carrying out the plan for the third year.

Manchukuo's five-year plan for industrial development was started in 1937, and this was, to cope with the development of situation around the China Incident, modified and enlarged to a considerable extent in the following year, viz. in 1938. Now this plan has entered into its third year, and at this juncture a meeting was held on April 8, 1939 in Changchun, sponsored by the Manchukuo Government for the purpose to report and discuss about the results accomplished during the 2nd year, to which influential members of the Kwantung Army Headquarters, of the Manchukuo Government, of the various organs of the Japanese Government and also representatives of various leading industrial concerns have attended.

As aforementioned, this five-year plan was

drastically modified over its whole field owing to the development of the China Incident, and despite the various adverse conditions prevailed, namely the difficulties in obtaining supply of necessary materials, scarcity of labor, etc. it has accomplished a result almost up to what it had primarily been scheduled thanks to the positive assistance given by Japan and to the close cooperation between the Manchukuo Government's authorities and the personnel of all the industrial concerns who have joined this plan.

In addressing to the above meeting, the Acting Director of the Board of General Affairs, Kishi, gave a report on the result of the 2nd year; all the representatives of the leading companies, who have joined this plan, have also presented their reports on this occasion with reference to the respective fields of their activity.

The 2nd year's results then announced can be summarized as follows:

The Department of Mining & Major Industries.

In this department of industry which constitute itself

the factor of paramount importance for establishment of the Manchurian heavy industry, the industries which worth a place for special mention are the production of iron and steel, of oil shale and the enterprise of electric power. During the year under review these have accomplished really remarkable results. To mention a little more specifically, the production of pig iron, steel ingots and steel billets reached almost 100% of the scheduled figures. Oil shale too reached 100%. Electric power plants (not incl. hydro-power plants) attained 94%.

The production of coal and gold was below the scheduled figures, registering 87% and 61% respectively. When, however, we look upon this result in the light of the various handicaps prevailing, for instance the difficulty of obtaining necessary materials for installing equipment this result can be said to be a fairly favorable one. As for gold, the output from the pits was mainly responsible for the deficit to fulfill the schedule, as that of placer gold has been to the extent of 78%.

owing to the shortage of the necessary materials, some delay was to be witnessed in the mining and other fields of major industries for installation of equipment. However, the furnaces newly erected in the Shoua Steel works, of Anshan have achieved a phenomenal success. The constructional work of the Yalu River Hydro Power Plant and those of Sungari River No. 2 and Chingpohe have attained 100% respectively. The Fushun Aluminium, the Pyekingkai Coal Liquefaction Plant and the Reed Pulp Plant are steadily making headway in their construction.

Agriculture. The crops yielded in Central Manchuria are normal. Those of North and South Manchuria come next. While that of East Manchuria was still lower. The planted acreage, however, showed an increase above the schedule.

The production of Koshiang, rice and hemp showed an increase above the quota.

Soya Bean, the capital item of the products for export registered a marked increase as a result of the emergency production increase plan, and has

5
not a little contributed to the efforts in obtaining foreign funds.

Wheat, Cotton, etc, however, showed a decrease, due to the adverse conditions that prevailed at the time of sowing.

Department of Stock Breeding.

The sheep breeding reached 98%. The improved cross breed has attained so favorable a result as 107%. Wool averaged 98%; of which the native wool attained as much as 111%.

As to the horse, the result obtained was in the neighborhood of 80%; while the work of breed improvement has reached 106%.

Of the breeding of cows and oxen, the native breed has attained 98%; while the crossed 100%. The import of animals from Korea showed a result of 114%.

Colonization.

The Group Settlers, the Collective Settlers and the Youngmen's Volunteers are the major factors of

6

Colonization work, of which the improved structure of colonization ^{work} (with the inauguration of the Manchurian Colonization Company) introduced after the entry of the volunteers marked a turning point of this work. The results accomplished by those three are 80% of the scheduled figures.

Traffic.

The results obtained by the state railways and the private railways are 100% and 70% respectively. While the road, the lines for defensive purpose and the lines for development of industry (in both fields of new construction and improvement have accomplished an epochal success registering 225%, and are proving to have a great significance for the future development of the Manchurian industries.

Electrical installations could accomplish none better than 60% owing to the scanty supply of copper. A major improvement, however, is expected to be made for the new fiscal year with the substitution of aluminium for copper.