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HEADQUARTERS
U.S. STRATEGIC BOMBING SURVEY
(PACIFIC)
BASIC MATERIALS DIVISION

INTERROGATION NO. 16

PLACE: TOKYO
DATE: 8 OCTOBER 1945
TIME: 1400

Division of Origin: Basic Materials Division.

Subject: Iron and Steel Control Organizations.

Personnel Interrogated
and Background of Each:

FUJII, Heigo	Director of Iron and Steel Control Association.
HOSOI, T.	Chief of Iron and Steel Section of Mining Bureau, Commerce and Industry Ministry.
YAMADA, Tad	Chief of Pig Iron Section, Iron and Steel Control Association.
SHIBASHI, K.	Manager, Production Department, Iron and Steel Control Association.
TOMIYAMA, E.	Director of Iron and Steel Control Association.
KOSHI, T.	Director of Iron and Steel Control Association.
KUROSE, G.	Chief of Distribution Section, Iron and Steel Control Association.

Where Interviewed: (Office)
Economic and Scientific Section, GHQ.

Interrogator: Lt.(jg) R.I. GALLAND, USNR.

Interpreter: Lt.(jg) H. DEANE, USNR.

Allied Officers Present:
Lieut. D.A. BURR, USNR, Basic Materials Division, USSBS.
Lieut. S.H. ROBOCK, USNR, Basic Materials Division, USSBS.
Capt. H.L. MC GURK, AUS, Economic and Scientific Section, GHQ.
1st. Lt. C.D. ROSS, AUS, Economic and Scientific Section, GHQ.

Summary:

Production quotas and distribution terms for iron and steel and steel products are immediately controlled by the Iron and Steel Control Association, 5/41, which developed from the Japan Steel Mat-

Basic Materials -

No. 16 - Subj. Crown Steel
Control signs.

Dated, 8 Oct 1944

Approved by Lt. Galland

Rec'd. G-2 - 24 Oct/45 / Rogers.

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erials Association, 3/38, later the Japan Iron and Steel Association, 3/40. Iron and Steel facilities were expanded and integrated from 1937 on under these controls which were first self-administering industrial associations and later were given governmental authority. Government price fixing began in 1941, accompanied by the development of exclusive purchase and sales control companies owned by the control associations.

Comments:

The interrogation was conducted through Mr. T. YAMADA who speaks English fluently. The Iron and Steel Control Association had prepared materials which were presented at the meeting. A list of these materials is attached. (Appendix #1) The materials may be obtained from the Basic Materials Division.

Growth of Capacity.

1. Japan Iron Manufacturing Company was formed under the Japan Iron Manufacturing Company Law of 1933 to provide a consolidation and expansion of facilities, principally pig iron. Approximately one half of the capitalization was put up by the government; the remainder principally by large iron and steel companies..The expansion of pig iron facilities from 1934 to 1943 were: 2x1,000 ton blast furnaces at Yawata, 3 x 700 tons at Hokkaido, 1 x 700 ton at Kamaishi, 2 x 1,000 tons at Hirohata and 2 x 500 ton at Seishin. (The interrogatees did not seem to be personally familiar with the affairs of this company, thus this line of inquiry^{was} postponed)

2. A five year plan of production expansion in heavy industry, 1937-38 to 1941-42, was brought up for later discussion. The Ogara

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Plan offered in 1936 set 5,000,000 tons of steel as the goal for that year. The sights set for the five year expansion were not known.

3. The high ratio of scrap to pig iron in steel making was an *indication* ~~implication~~ of an unbalance in the industry. A goal of 30/70 ratio of scrap to pig was set. In 1937 the ratio was 60/40; in 1941, 40/60. An additional source of iron for steel charges was sponge iron, the capacity to produce which was expanded. The figures immediately at hand for the Home Islands sponge production were : 1940 - 57,000 tons; 1941 - 137,000 tons; 1942 - 141,000 tons ; 1943 - 168,000 tons.

Administration of Growth of and Consolidation of Capacity.

1. The ordinance of 1937 (Iron Manufacturing Law Enforcement Ordinance) which provided for the licensing of iron and steel plant expansion worked so as to restrict expansion to large producers.

2. At the same time the small producer was urged into integration with large producers by the development of control structures; Reference Charts (A) and (B). The concentration of industry in the hands of a small number of major companies and plants is shown in Table (C).

(a) Japan Steel Materials Association 3/38.

This association was a voluntary membership corpor-

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ation which included all the principal producers of iron and steel. Without government authority, - although its agreements were reported to the government - this association acted as price and production fixing body for members. The prices so fixed were based upon the production costs of major companies and the effect was to force small producers out of business or into consolidation with major producers. (Reference Chart No. 1.)

(b) Japan Iron and Steel Association 3/40.

This association was a voluntary membership organization with no government powers. With very few exceptions, however, the entire industry became members. It controlled production distribution and prices for its members' products. (Reference Chart No. 2.) No price differential was allowed to less efficient producers. The effectiveness of this association's control, however, was reduced by the lack of governmental sanctions against recalcitrant members who for example might sell outside of the assigned allocation system or fail to meet production schedules. Since the association allocated all of its members' production it was necessary to join the association to obtain raw materials.

(c) Iron and Steel Control Association 5/41.

This association was formed after the passage of the Draft Ordinance of 1940 and received governmental powers to regulate

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its members. Membership was compulsory; direct membership for the large companies, indirect membership through a products union for the smaller concerns. The association regulated all aspects of its members' production, e.g. ratio of scrap to pig in steel production.

3. Prices and Allocation: The self-administered price control and allocation system of the voluntary control associations was mentioned above. The government by its Price Stop Law of 1/41 stopped all prices at the level of September 1940. The price so fixed for ingot, billet and bloom steel was revised in July 1941. Pig iron prices were fixed in January 1942. The system of exclusive purchase and sale corporations had been followed for scrap iron (Ed. since 1939) under which imported and local scrap had been purchased at varying costs but had been distributed to producers at a single price. Similar organizations controlled coal and manganese ore distribution. Under the Iron and Steel Control Association separate control companies were originally set up to purchase and sell all the output of pig iron; Iron and Steel Raw Material Control Company and of iron and steel products, Iron and Steel Sales Control Company.

After the pegging of pig iron prices the latter company took over all iron and steel purchases and sales except those made by certain companies, with permission of the president of the

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of the association, directly to consumers; ie the Army and Navy principally. In 1940 the ratio of direct sales to sales control company sales was 30%/70%; in 1944, 65%/35% (See Chart No. 3) The control association owned the sales control company, making up the capital out of association dues:

74 sen/ton ordinary steel produced.
56 sen/ton semi-finished and ingot steel.
37 sen/ton pig iron.
1 yen/ton special steel.
1 yen/ton forged and cast steel.
1 yen/ton miscellaneous steel.

← plus 5,000 yen a year from member companies and unions.

The losses of the sales control company were made up

← by the government.

Prices paid to producers were on a cost plus 7% basis.

Actual decisions as to the allocation of iron and steel
← products and raw materials were made at the ministerial level with the control associations furnishing estimates of the industry's production. Allocations for 1940-1945 are given in Table "D" Results columns will be completed and furnished later.

MISCELLANEOUS.

1. The graph charts of Iron and Steel Production, Coal Supplies, Scrap Supplies, and Iron Ore Supplies were discussed.

2. The preliminary list of requested information (Appendix #1) was discussed at length. All of the list will be furnished except the coal and coke production and capacity figures which will be fur-

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BASIC MATERIALS DIVISION

APPENDIX ONE.

Preliminary List of Information to be Furnished by
Representatives of Japanese Coke-Iron*Steel Industry.

1. Capacity and production figures for the following materials: (a) coking coal and coke, (b) iron ore, including sands, sinters and roasting ores, (c) iron, including pig, sponge and electric furnace iron, (d) steel ingots, classified into open hearth, Bessemer and electric furnace products, (e) rolled steel products, broken down into rails and structural shapes, plates, sheets and strips and tinplates, bars and rods, pipes and tubing, and miscellaneous other products. The capacity and production figures should be broken down by plants and companies and should be subtalled into geographical areas including computations for the Home Islands and for the mainland. Figures should show yearly totals for the years 1935 to date with monthly or quarterly figures included for the years 1942, '43, '44, and '45.

2. Annual statistics for the years 1935-1945 showing Home Island production, stockpiles, and imports of the principal alloying materials: chrome, manganese, nickel, titanium, tungsten and vanadium.

3. A statistical statement showing estimated requirements, allocation and consumption of steel by claimant consumers in the Empire during 1935-1945. The figures for the years 1935-1940 should be given annual totals; those for 1941 through 1945 in monthly or quarterly totals. Claimant consumers should specifically include the Army, the Navy, the Airforce, other military uses (including fortifications), merchant vessel construction and repair, railroads, industrial construction, bomb damage repair and others.

BASIC MATERIALS DIVISION

APPENDIX ONE.
(Continued)

Preliminary List of Information to be Furnished by
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4. Statistics showing production lost due to air raids during the years 1942-45, by months or quarters, in the coke, iron and steel industries.
 5. Statistics showing transportation tonnages, both by sea and by rail, allotted to coal, coke, iron intermediate steel and rolled steel in the years 1935-45, and indicating what percentage of the national ton-distance totals such allotments constituted.
 6. List of control organizations in coke, iron and steel industries, giving date of establishment and dissolution, ordinance or regulation under which established, sphere of control, names of principal persons and other pertinent data including successor organization.
 7. Diagram charts showing channels of authority over production and distribution of coke, iron and steel materials from the competent minister to the individual producer and consumer in the years 1942 and 1944.
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BASIC MATERIALS DIVISION

APPENDIX TWO.

Materials Received - 8 October 1945.

- Chart A Changes in Iron and Steel Control Structure in Japan.
- Chart B Changes in Iron and Steel Production Control Regulations in Japan.
- Table C List of Major Companies and Plants of Iron and Steel Industries.
- Table D Classified Table of Distribution and Actual Consumption of Steel Materials. (1940-1945) (Incomplete)
- Chart 1 Structure for Distribution of Ordinary Steel Materials Before 1939.
- Chart 2 Structure for the Distribution of Ordinary Steel Materials, 1940-1941.
- Chart 3 Structure for the Distribution of Ordinary Steel Materials, 1942.
- Chart 4 Members of Iron and Steel Control Association.
- Chart 5 Organization and Personnel of Iron and Steel Control Association.

GRAPH CHARTS.

- I The Changes in the Iron and Steel Production in Japan.
- II The Changes in Coal Supplies for Iron and Steel Industries.
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- IV Changes of Iron Ore Supplies to Japan.
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(a) Japan Steel Materials Association 3/38.

This association was a voluntary membership corporation which included all the principal producers of iron and steel. Without government authority, - although its agreements were reported to the government - this association acted as price and production fixing body for members. The prices so fixed were based upon the production costs of major companies and the effect was to force small producers out of business or into consolidation with major producers.

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