"116. The 'military' yen used by the Japanese Army in China did not represent an obligation of the Government, nor that of any Japanese bank. These notes lacked the coverage of specie or foreign exchange reserve, and were not convertible into the free yen accounts with Japanese banks, nor were they redeemable in specie or foreign exchange. Japanese military notes of this character were simply worthless fiat money, and the use of these notes was one means by which the Government forced China to support the Japanese armies and the commercial undertakings of the armies at no cost whatever to Japan. The 'military' yen were put into circulation in payment for goods and services by the army of occupation and withdrawal was made through fiscal levy and the sale of goods and services by the army of occupation.

"117. The wholesale use of military currency in denominations other than yen was anticipated by Japan in planning for the conquest of the southern regions. As early as January 1941 responsible officials with the Government directed the preparation and printing of military currencies in foreign denominations. A series of secret communications by the Government departments during the year 1941 is contained in IPS document 9022. This document discloses that the

Government caused stocks of military currency to be printed in denominations of guilders, pesos and dollars and that it was intended to use this currency to defray war expenditures of the Japanese forces in Dutch East India, British Malay, British Borneo and Thailand and the Philippines."

BRIGADIER QUILLIAM: May it please the Tribunal, I offer in evidence IPS document No. 9022-A.

THE PRESIDENT: Admitted on the usual terms.

CLERK OF THE COURT: Prosecution's document No. 9022-A will receive exhibit No. 852.

(Whereupon, the above-mentioned document was marked prosecution's exhibit No. 852 and received in evidence.)

THE PRESIDENT: It is a document of great length, containing many tables of figures. You do not propose to read excerpts from it, but to read the whole, I understand, Mr. Liebert?

You may be able to prepare a summary between now and tomorrow morning. We would prefer a summary. We realize the great importance of the document, but a summary should meet our purposes.

We will recess now until half past nine tomorrow morning.

(Whereupon, at 1555, an adjournment

was taken until Wednesday, 23 October 1946, at 0930.)

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23 OCTOBER 1946

I N D E X
Of
WITNESSES

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EXHIBITS

Doc. No.	Pros. No.	Def. No.	Description	For Ident.	In Evidence
9016	853		Procedure for Handling the Special Military Currency		8463
9016-A	854		Bank Book of the Bank of Japan	8464	
9016-B	854-A		Extracts from the Ledger of the Bank of Japan		8465
9028-A) 9028-B) 9028-C)	855		Consisting of 17 Engraved Military Notes and 29 Engraver's Plates and Stones, and the certificates relative thereto		8470
9018-A	856		Re Positive Enforcement of the Urgent Measures Vital to the General Mobilization		8492

I N D E X

Of

EXHIBITS

(cont'd)

Doc. No.	Pros. No.	Def. No.	Description	For Ident.	In Evidence
9017-A	857		A Second Communication Between KAZAMI, Akira and ITAGAKI, Seishiro on 23 June 1938		8497
9030-106-A	858		Chart of Gold Production in Japanese Empire 1925-1941		8518
9023-A	859		Yearly Budget of the Japanese Government for the War and Navy Ministries		8539
9030-124-A	860		Chart of Expansion of Industry in Japan Proper 1931-1941		8556
1611-A	861		"Outline for the Economic Construction of Japan, Manchoukuo and China" as decided at Cabinet Meeting on 3 Oct 1940		8560

Wednesday, 23 October, 1946

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INTERNATIONAL MILITARY TRIBUNAL
FOR THE FAR EAST
Court House of the Tribunal
War Ministry Building
Tokyo, Japan

The Tirbunal met, pursuant to adjournment, at 0930.

- - -

Appearances:

For the Tribunal, same as before.

For the Prosecution Section, same as before.

For the Defense Section, same as before.

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(English to Japanese and Japanese to English interpretation was made by the Language Section, IMTFE.)

Greenberg & Eder

MARSHAL OF THE COURT: The International Military Tribunal for the Far East is now in session.

THE PRESIDENT: All the accused are present except OKAWA and MATSUI. We have a doctor's certificate as to the state of MATSUI's health. The certificate will be filed.

J O H N G R A N V I L L E L I E B E R T , called as a witness on behalf of the prosecution, resumed the stand and testified as follows:

THE PRESIDENT: Brigadier Quilliam.

BRIGADIER QUILLIAM: May it please the Tribunal, may I refer to Court exhibit 850, which was produced yesterday afternoon, record of Privy Council meeting. I have checked the records and have satisfied myself that the Foreign Minister HIROTA, referred to there, is the accused HIROTA. I regret that I was not in a position to give that information yesterday.

THE PRESIDENT: At the request of Major Blakeney, the transcript will be altered at page 8,005, line 6, by the deletion of the word "clever" and the substitution of the word "covert."

DIRECT EXAMINATION (Continued)

BY BRIGADIER QUILLIAM:

Q I will ask the witness to continue his evidence by giving a summary of document, exhibit No. 852.

A Document 852 is a series of ten communica-

tions among officials of the War Ministry and the Finance Ministry. They all relate to the preparation of military currency in foreign denominations, for use in undisclosed areas. That is, the first five -- the first few documents relate to undisclosed areas, and the several documents following refer to the use of this currency in territories to be occupied.

Communication No. 1, top secret, dated 16 January 1941, is addressed to the Chief of the Financial Bureau, Ministry of Finance, from the Chief of Intendance Bureau, the War Ministry. This communication requests that there be urgently prepared original plates of military currencies to be used in certain unspecified areas. An admonition on the communication states that the matter, for caution's sake, should be held within the confidence of the officials in charge.

Communication No. 2, likewise top secret, sanctioned 24 January 1941, bearing the seals of several prominent officials, referred to the subject of preparation and printing of military currency notes and is an acknowledgment of the communication and the matters contained therein by the several officials.

Communication No. 3, likewise top secret, sanctioned 29 March 1941, bearing the seals of several prominent officials, referred to the same subject, that is, the printing of "Ha" and "Ni" Series military currency notes, pursuant to the conference held on the 24th of January.

Attached to this communication, Draft No. 2, dated 1 April 1941, is an order to the Chief of the Cabinet Printing Bureau to manufacture immediately "Ha" and "Ni" Series military currency notes in Dutch language, in the English language, with the completion date early in March 1941 requested.

Q I think, witness, the completion date is early April, not March. Is that so?

A That is correct.

Communication 5, top secret, sanctioned the 23rd of April 1941, refers again to the arrangement for the manufacturing of "Ha" and "Ni" Series military currency notes.

Communication No. 6, military secret, dated 13 September 1941, contains a request to make arrangements immediately for the manufacture of "Ho" Series notes in denominations of pesos. It likewise contains an order to prepare "Ni" Series military currency in denominations of dollars.

Again, it requests the preparation of notes in denominations of guilders.

Communication No. 7--

THE PRESIDENT: Is it not important to give the denominations of some of the notes, or, rather, the numbers of some of the denominations? Or at least the totals?

THE WITNESS: Communication No. 6 requests a total of currency notes, in denominations of pesos, of 37,200,000 pesos.

The total additional "Ni" Series military currency, in denominations of dollars --

THE PRESIDENT: Before you state that, the date of completion is also important, is it not?

THE WITNESS: It was requested that the pesos referred to in communication No. 6 should be completed -- the manufacture should be completed, by the 20th of October.

The "Ni" Series military currency notes in denomination of dollars, a total of 40,586,000 was requested to be completed by the 10th of December, one-half to be completed the 30th of October.

THE PRESIDENT: I make it forty-five millions, Mr. Liebert, by adding four naughts to

your total.

THE WITNESS: Correction. 45,860,000.

MR. SMITH: If Your Honor please, could we have the witness mention the years as we go along?

THE PRESIDENT: Yes. The years are important. This is in respect of the year 1941, if I understand it rightly.

BRIGADIER QUILLIAM: May it please your Honor, I think it is plain from the document that the year in all cases is 1941.

Q That is so, witness, is it not? Did you hear my question?

THE PRESIDENT: He is checking.

A The date 1941 does not appear under the item "date of completion," but obviously 1941 is meant. Other documents will disclose that these notes were actually printed in 1941. There is no question about it.

The preparation of notes in denominations of guilders, to a total of 45,860,000 guilders, was requested to be completed the 30th of December, one-half to be completed the 20th of November.

Communication No. 7 --

your total.

THE WITNESS: Correction. 45,860,000.

MR. SMITH: If Your Honor please, could we have the witness mention the years as we go along?

THE PRESIDENT: Yes. The years are important. This is in respect of the year 1941, if I understand it rightly.

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THE PRESIDENT: He is checking.

A The date 1941 does not appear under the item "date of completion," but obviously 1941 is meant. Other documents will disclose that these notes were actually printed in 1941. There is no question about it.

The preparation of notes in denominations of guilders, to a total of 45,860,000 guilders, was requested to be completed the 30th of December, one-half to be completed the 20th of November.

Communication No. 7 --

THE PRESIDENT: The "R-o" Series -- 6.

Q His Honor points out, witness, that you have not dealt with paragraph four, the "Ro" Series, on page ten.

A It was further requested in paragraph four that additional manufacture of currency, the "Ro" Series, should total ten million in units of yen equivalent value, to be completed by the 20th of November.

Communication No. 7, designated "Top Secret," sanctioned 16 September, 1941, is a communication -- subject: concerning the manufacture of "Ho" and "Ro" Series and also "Ha" and "Ni' Series military currency notes. It refers to a request to manufacture the currencies in accordance with the attached sheet. This attached sheet was obviously included for budgetary reasons inasmuch as it lists the denominations in yen and requests the preparation of "Ha" -- of "Ho" Series notes -- merely a technical -- communication regarding the technical parts of printing these notes.

Communication No. 8, military secret, is an inquiry pertaining to the forwarding of military currency, dated 15 of October, 1941. The Chief of the Intendance Bureau, War Ministry, requests the Chief of the Financial Bureau to forward certain of these

currencies to the Bank of Japan, Shanghai agency, to arrive by the 22nd of October.

Communication No. 10 is a communication relating to the issue of military currency notes in foreign denominations and the outline for the purpose to which these notes are to be put.

Q BRIGADIER QUILLIAM: May it please your Honor, attention should be drawn to the names TOJO, KIMURA, SHIMADA and OKA, all defendants. They are referred to in Communication 9.

A (Continuing) The mode of procedure as outlined in Communication 9, page 17, I should like to read.

THE PRESIDENT: Yes, it seems important.

Q BRIGADIER QUILLIAM: May it please your Honor, I have been informed that on the copy of Communication 9 which the defense counsel have, OKA's name does not appear. I think the name has been inserted as a correction in the copies held by the Court.

THE PRESIDENT: We have "Chief of the Naval Affairs Bureau, OKA KEI."

BRIGADIER QUILLIAM: I will undertake, your Honor, to satisfy my friends as to the accuracy of the correction.

THE PRESIDENT: It appears as one name, "OKAKEI." Then it is crossed out and made into two. We had better look at the Indictment. No. In the Indictment the accused is OKA, Takasumi.

BRIGADIER QUILLIAM: I must look into that matter, sir. I am sure this is the same man. He is the man who held that office at that time, but it is well to take it up.

THE PRESIDENT: That must be proved, of course.

BY BRIGADIER QUILLIAM (Continued):

Q Will you continue, please, witness?

A I shall read from page 17, "Outline for the issuance of military currency notes," paragraph one:

"1. Military currency notes in foreign denominations are to be issued for the purpose of affording the conveniences to defray war expenditures, in consideration of the eventuality of carrying out a military operation in the southern regions.

"2. The military currency notes are to be exchangeable with Japanese currency, where necessary.

"3. The mode of procedures of the preceding Articles shall be determined at a conference of the Minister of Finance, the War Minister and the

Navy Minister."

Communication No. 10, Top Secret, sanctioned 31 of October, 1941, refers to the institution of procedures for handling military currency notes in foreign denominations for the southern regions. I should like to read from page 18, and following, the method for procedures in the handling of these military notes because it discloses fairly well the intention of financing the war in these territories to be occupied by the use of these notes in foreign denominations.

"In consideration of the eventuality of carrying out operations in the South Seas area, the policy in regard to the matter of issuing military currency notes of foreign denominations for the purpose of affording the convenience of defraying the military expenditures of the said forces is to have the outline for the issuance of military currency notes decided by the Prime Minister, the Finance Minister, the War Minister and the Navy Minister and have it carried out, but would it be all right to establish a procedure for the handling of military currency notes of foreign denominations for the southern areas, as enclosed herein, after the above has been decided? Furthermore, it is desired that

this matter be substituted at the conference with the War Minister and the Navy Minister as stipulated in Article 3 of the outline for the issuance of military currency notes. After the above has been decided, would it be all right to notify the respective quarters concerned with the following plan? We again seek for your approval.

"DRAFT OF PROCEDURE FOR HANDLING MILITARY CURRENCY NOTES IN FOREIGN DENOMINATIONS FOR SOUTHERN REGIONS.

"ARTICLE 1. For the purpose of affording the convenience of defraying the war expenditures in the areas of military operations in the South, the government shall issue military currency notes in foreign denominations within the scope of the budget."

THE PRESIDENT: The IBM is out of order. We must pause for a minute or two.

(Whereupon, a short recess was taken, after which the proceedings were resumed as follows:)

A (Continuing) I will summarize Communication 10.

"DRAFT OF PROCEDURE FOR HANDLING MILITARY CURRENCY NOTES IN FOREIGN DENOMINATIONS FOR SOUTHERN

REGIONS."

The military currency notes mentioned therein are called, for the purposes of this procedure, "military currency notes of 1941," and their denominations shall be gulden, dollars and pesos.

Wolf & Yelden

It was provided that the Chief of the Financial Bureau, with the approval of the Minister of Finance, could call upon the Cabinet Printing Bureau for the manufacture and determination of the period of manufacture of these military notes. Upon receipt of the knowledge that the notes had been printed they were to be turned over under the authorization of the Chief of the Financial Bureau to the Bank of Japan.

When the War Ministry or the Navy Ministry desired to have payments in foreign currency military notes, they were to give advice to the Minister of Finance who, in turn, would pass this advice to the Bank of Japan who would turn over the notes as requested. It was also provided that the Bank of Japan should prepare a 1941 account book for these military currency notes and would report the receipts and disbursements to the Ministry of Finance each time a transaction was made.

Page 21 at Communication 10, a chart shows the amount of military currency to be deposited in a specific deposit for 1941 according to the denomination, accepting value and area in which they were to be used. It is disclosed that the "Ha" Series of notes in denomination of gulden were to be used in the Dutch East

Indies and were to have an accepting value at a parity with the yen, that is to say, one gulden, one yen.

It was further disclosed that the "Ni" Series notes in denomination of dollars were to be used in British Malay, British Borneo and Thailand. The accepting value of these notes were to be on a par with the yen, that is to say, one dollar to one yen.

The "Ho" Series notes as shown on this chart were to be in denomination of pesos for use in the Philippines, the accepting value, one peso, one yen.

Attached to Communication No. 10 is Draft No. 1, the communication from the Minister of Finance to the War Minister and the Navy Minister, informing him that the instructions -- that the procedures for handling the military currency notes had been instituted.

Draft No. 4 attached to the same communication indicates that the Financial Commissioner at Shanghai had been notified accordingly on the first of November.

(Reading): "118. The procedure for handling this special military currency is disclosed in IPS Document 9016, dated 1 November 1941. This document was addressed from Minister of Finance Okinobu KAYA to the Bank of Japan."

BRIGADIER QUILLIAM: May it please the Tribunal, I offer in evidence IPS Document No. 9016.

THE PRESIDENT: Admitted on the usual terms.

CLERK OF THE COURT: Prosecution's document No. 9016 will receive exhibit No. 853.

(Whereupon, the document above referred to was marked prosecution's exhibit No. 853 and was received in evidence.)

THE WITNESS: I have indicated in this statement, Mr. President, that I would read document 9016. However, since we have so completely covered the procedures which are the same as outlined in that document, with your permission, I will omit the reading of document 9016 which has recently been made an exhibit.

THE PRESIDENT: You were speaking from drafts. Now we have the document itself. The date is important in each case. There is no need to read the document.

BRIGADIER QUILLIAM: I do not think, sir, that the witness heard your first remark.

THE PRESIDENT: The shorthand writer can repeat it.

(Whereupon, the official court reporter read as follows: There is no need to read the document.)

THE PRESIDENT: Except the first paragraph.

THE WITNESS: (Reading) "1 November 1941. Secretariate Secret B No. 841-3. Bank of Japan. The procedures in dealing with the military currency expressed in southern region foreign currency have been prescribed as under and shall accordingly be pursued. Okinobu KAYA, Minister of Finance."

THE PRESIDENT: That is sufficient.

BRIGADIER QUILLIAM: May it please the Tribunal, I offer for identification IPS Document No. 9016-A, being a bank book of the Bank of Japan.

CLERK OF THE COURT: Prosecution's document No. 9016-A will receive exhibit No. 854 for identification only.

("hereupon, the document above referred to was marked prosecution's exhibit No. 854 for identification.)

THE PRESIDENT: In the Indictment the accused KAYA appears as KAYA, Okinori.

BY BRIGADIER QUILLIAM:

Q Will you proceed with the reading, please, Mr. Liebert?

A (Reading) "That currency in foreign denominations of guilders, pesos and dollars was actually printed in execution of the plans and orders disclosed

in exhibit 852 and exhibit 854 is disclosed in IPS Document 9016-B."

I should like to call attention to a minor error in this statement. The statement reads, "This latter document is a ledger." It is rather "extracts from a ledger."

Q Will you continue, please?

A (Reading) "This latter document is extracts of the ledger of the Bank of Japan showing entries of amounts of currencies by kind, together with the dates on which such currencies were received by the Bank of Japan for handling, pursuant to the instructions contained in exhibit 854!"

BRIGADIER QUILLIAM: May it please the Tribunal, I offer in evidence IPS Document 9016-B.

THE PRESIDENT: Is that the right number? I have 854 for identification.

BRIGADIER QUILLIAM: No, that is 9016-A, if it please your Honor.

THE PRESIDENT: Admitted on the usual terms.

CLERK OF THE COURT: Prosecution's document No. 9016-B will be given exhibit No. 854-A.

(Whereupon, the document above referred to was marked prosecution's exhibit No. 854-A and was received in evidence.)

THE WITNESS: (Reading) I will read exhibit 854-A for the purpose of showing that as early as May 1941 currencies in foreign denominations for anticipated use in southern regions was in existence.

"General Records Book from the Bank of Japan. Ledger of the Locality of Goods Controlled and Entrusted to the Government.

"Unissued war notes; Date; Note; Number; Sum entered into the bank and disbursements -- The above is the heading on each and every page of this book.

"From page 1: Date, 1941 -- 20 June 1941, Amount received -- 5,000,000 yen; labelled 1941 issue, Military Currency, 'Ha-go'"--

THE PRESIDENT: Have you the totals?

BRIGADIER QUILLIAM: It is sufficient probably to give maybe the totals as his Honor suggests.

THE PRESIDENT: And the dates between which they were issued. The first date seems to be the 20 June 1941 and the last, 23 May.

BRIGADIER QUILLIAM: 23 May.

THE PRESIDENT: I do not see that but no doubt it is there; my colleagues notice it. Yes, that is so -- top of page 7 of the original book.

THE WITNESS: The earliest entry was the 23 of May. The amount received by the Bank of Japan, 500,000 yen, the "Ha-go" notes in accepting value of 50 sen.

THE PRESIDENT: The last date is in December.

THE WITNESS: The last date of acceptance would appear to be the 6 of December, the amount received, 1,000,000 yen of "Ha-go" notes, accepting value, one yen.

THE PRESIDENT: What are the totals received and issued by the bank?

THE WITNESS: According to the instructions received by the Bank of Japan from the Minister of Finance they were to acknowledge receipt of these notes from the Cabinet Printing Bureau and to notify the Finance Ministry when they had disbursed any of these notes. This is a record, the record which the Bank of Japan was instructed to keep of the amounts of notes received from the Cabinet Printing Bureau with the dates on which they were received.

THE PRESIDENT: Repeat my question about totals, will you please.

(Whereupon, the official court reporter read as follows: What are the totals received and issued by the bank?)

THE WITNESS: Mr. President, I have not made those totals but I will give them to you as soon as I have accounted for them after the next recess.

THE PRESIDENT: Would the ledger disclose this, or the extracts from the ledger, that between May and December, 1941, the bank received some of this currency in every month except September?

THE WITNESS: It would appear that the ledger discloses that.

BRIGADIER QUILLIAM: May it please the Tribunal, is any further information required from this document?

THE PRESIDENT: Nothing further than what we have intimated.

BRIGADIER QUILLIAM: May it please the Tribunal, before we proceed may I refer to the question that arose with reference to the defendant OKA. The OKA mentioned on page 16 of exhibit 852 as being Chief of the Naval Affairs Bureau is, in fact, the defendant OKA. That, if it please your Honor, is disclosed in exhibit No. 120. I am sorry, sir, my learned friend and I cannot agree on the number of the exhibit, I am afraid. It is OKA's personnel record. I have it marked as 120 and my learned friend has 102. What I have said applies

to the reference to OKA on page 18 of the same document.

BY BRIGADIER QUILLIAM:

Q Will you please continue?

A (Reading) "119. As further proof of the existence of military notes in denominations of guilders, pesos, and dollars which the Japanese intended to use to defray war expenses in southern regions I have secured from the Ministry of Finance the actual engraver's plates manufactured before December 7, 1941, pursuant to the orders contained in exhibit 852, together with some of the actual notes printed from these plates before December 7, 1941."

BRIGADIER QUILLIAM: May it please the Tribunal, I offer in evidence twenty-nine engraver's plates, together with seventeen currency notes printed from the plates. I also tender three certificates, being IPS Documents Nos. 9028-A, 9028-B, and 9028-C. These certificates refer to the plates and show that some of the plates were made on the 29th of March, 1941 and the balance on the 16 of September, 1941. I suggest that the plates, the notes and the certificates be treated as one exhibit.

THE PRESIDENT: Admitted on the usual terms

as one exhibit.

CLERK OF THE COURT: Prosecution's document No. 9028-A and No. 9028-B and No. 9028-C, comprising seventeen engraved military notes and twenty-nine engraver's plates and stones, and the certificates relative thereto will be given exhibit No. 855.

(Whereupon, the documents above referred to were marked prosecution's exhibit No. 855 and received in evidence.)

BRIGADIER QUILLIAM: I am not sure, if it please your Honor, in what way the Tribunal would have these plates exhibited to the Members of the Tribunal. They are in bundles and could easily be distributed or examined at a later stage.

THE PRESIDENT: We do not want copies of the plates or of the notes. We accept the certificates as sufficient.

BRIGADIER QUILLIAM: Yes, your Honor. I will ask the witness to continue the reading of his statement.

THE WITNESS: (Reading) "120. In the integration of territories outside the limits of Japan proper, the device of the 'National Policy' companies was used extensively by the Japanese Government. National policy companies were created

by special legislation of the Japanese Government to create business enterprises abroad when it was difficult or inexpedient to induce private enterprises and private capital to undertake a particular kind of business, or where it was desired to develop a foreign territory. A list of the more important national policy companies which the Japanese Government initially established abroad, together with a short description of their activities, follows:

"(1) The South Manchurian Railway Company was a Japanese corporation formed for the purpose of developing railway and communication, water transport service, motorcar transport service, mining, electrical industry, warehousing, management of land, and such other business as would be appointed by the Government. The South Manchurian Railway, together with its subsidiary companies, was the largest single economic unit in Manchuria. The company was formed in 1906 and continued a gradual development of railways and other services as a business enterprise until after 1931 when it became the active Government exploitation agency in Manchuria. Its capital was increased many times. Until prior to the outbreak of the war in December 1941 its capital was 600,000,000 yen.

"(2) The Manchuria Industry Development

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"(2) The Manchuria Industry Development

Corporation was established pursuant to an economic agreement between the Manchoukuo Government and the Japanese Government. While, ostensibly this was a Manchoukuo Government National Policy Company, in reality, because of the economic understanding between Manchoukuo and Japan, it was truly a national policy company of Japan. It was organized pursuant to a Manchoukuo Imperial Ordinance No. 460, promulgated December 20, 1937. The purpose of this company was to expedite the development and establishment of heavy industries and to control those industries at the direction of the Manchurian Government. These industries included iron and steel, light metals, automobile manufacture, airplane manufacture, the coal industry, together with mining of all kinds and such other industries as the Government from time to time authorized it to promote.

"(3) The Oriental Development Company was formed in accordance with the provisions of Law No. 63, of 1908, for the purpose of supplying funds necessary for the development of undertakings in the promotion of the Japanese interests in countries outside Japan proper. The original capital of the company was 10,000,000 yen but by 1941 it had increased to 50,000,000 yen.

"(4) The Taiwan Electric Power Company was formed August 1, 1919, for the purpose of developing the electric power industry in Formosa. In 1940 its capitalization was 77,400,000 yen. The company concerned itself, under the direction of the Japanese Government, with the distribution of electric power.

"(5) The South Seas Development Company was formed November 27, 1936, for the purpose of developing the South Sea Islands with particular relation to fishing and other natural resources. Its original capitalization was 20,000,000 yen.

"(6) The Taiwan Development Company was formed pursuant to Law of February 3, 1936, for the purpose of the development of industrial enterprises in Formosa. Its original capitalization was 30,000,000 yen.

"(7) The Korea Forestry Development Company was formed September 1, 1937, for the purpose of developing the Lumber Industries in Korea. Its original capitalization was 20,000,000 yen.

"(8) The Japan Gold Production Enterprise Company was formed pursuant to law, September 16, 1938, for the purpose of developing the production of gold in the dominated areas as well as Japan proper.

Its original capitalization was 50,000,000 yen.

"(9) The North China Development Company was formed pursuant to Law 81, April 30, 1938, for the purpose of promoting the economic development of North China and for controlling and coordinating the economics of North China. The original capitalization of the company was 350,000,000 yen."

THE PRESIDENT: This is a convenient break. We will recess now for fifteen minutes.

(Whereupon, at 1045, a recess was taken until 1105, after which the proceedings were resumed as follows:)

Spratt & Duda

MARSHAL OF THE COURT: The International Military Tribunal for the Far East is now resumed.

THE PRESIDENT: Brigadier Quilliam.

BRIGADIER QUILLIAM: May it please the Tribunal, I will ask the witness to continue reading at paragraph 10 on page 92.

THE WITNESS:

"'(10) The Central China Development Company was formed pursuant to the law, November 10, 1938, to accomplish the same purposes as the North China Development Company by operating within the Central China area. The capitalization of the Central China Development Company was 100,000,000 yen.

"'(11) The Korea Magnesite Development Company was formed pursuant to law, June 19, 1939, with a capitalization of 15,000,000 yen, for the purpose of developing magnesite mining and the control and sale thereof.

"'(12) The Korea Rice Exchange Company was formed November 25, 1939, with a capital of 5,000,000 yen for the purpose of controlling the rice exchange in Korea. Deficiency in Japan's rice production is in great part made up from Korea's excess.

"'(13) The Korea Mining Development Company was formed pursuant to law August 26, 1940, with an authorized capitalization of 10,000,000 yen. The purpose of this company was to control the mining and sale of all minerals except magnesite which was already controlled by the Korea Magnesite Development Company. This Company was the effective instrument by which the Government more rigidly controlled the output of mines in Korea.

"'(14) The Karafuto Development Company was formed pursuant to law, July 10, 1941, with an authorized capital of 50,000,000 yen. The purpose of this company was to develop and control mining, forestry, and the agricultural development of that territory.

"'(15) The Imperial Petroleum Company was formed September 1, 1941, with an authorized capital of 100,000,000 yen. The purpose of this company was to survey and develop oil fields, both in Japan proper and in the dominated territories and to control the purchase and the sale of all petroleum and oil products. This company was the effective Government

instrument for the complete control of petroleum.'"

"While this list shows the capital investment in these foreign operating national policy companies up to 1941, it is to be understood that after that time enormous further capital outlays were made in many instances to enlarge the scope of the activities of these companies and tighten the control of the economies of the areas wherein they operated. This further expansion was made particularly in Manchuria and China. As the war progressed new national policy companies were formed to further integrate the economies of the dominated and occupied areas.

"FOREIGN EXCHANGE AND FOREIGN TRADE

"121. Japan is dependent on foreign commerce for her economic livelihood and position as a modern industrial nation. Her natural resources are extremely limited and she must import from abroad about one-third of the total raw and other materials required for manufacturing. All of the raw cotton, wool and crude rubber used in Japanese industries must be imported, while the major portion of the requirements of iron and non-ferrous metals (notably, copper, lead, zinc, nickel, antimony and tin) coking coal, petroleum, phosphorous ores and industrial salt

A Yes, I have been with the Economic and Scientific Section.

Q Have you been specially engaged since May 1946 in investigating the production and financial preparations for war made by Japan?

A Yes, I have been engaged in such a study.

Q Was this for the purpose of your giving evidence before this Tribunal?

A Yes, it was.

Q In making that investigation, have you had full access to all branches of SCAP?

A Yes, both in my capacity as Chief of the Controls Section and for the purpose of preparing evidence to be given at this Tribunal, I have had access to all parts of SCAP as well as all parts of the Japanese Government.

Q Have you also had access to the records of control institutions and organizations and to the heads and officials of such institutions?

A Yes, I have. I have had access to all records which I thought might be of advantage to get the information necessary to prepare a statement for this Tribunal.

Q For the same purpose have you held conferences and discussions with Japanese ministers and officials,

government officials?

A Yes, I have.

Q And also with the Japanese budget officials and other financial authorities?

A Yes, I have.

Q Have you obtained reports, information, and statistics from all these sources and also many other sources?

A Yes, I have, from not only sources within Japan but outside Japan.

Q In particular, have you obtained information from the branches of SCAP which have been investigating particular industries and Japanese Government activities?

A Yes, I have. We have within the Economic and Scientific Section many independent groups making special studies of specific industries, and in addition the Economic Research Section itself, which makes both specific and general studies.

Q Have you made an examination and analysis of all the information you have obtained and checked and verified it as far as you possibly could?

A Yes, I have. I have done everything within my power to get the truth and verify the accuracy of all reports which I have before me.

Q Have you, in addition, examined the relevant Japanese laws, ordinances, and regulations?

A I have had translations of the laws made from the Japanese, particularly for my work, and have examined those translations. I do not read Japanese.

Q Have you prepared a statement embodying the results of your investigation?

A Yes, I have prepared a statement.

Q And you now produce that statement.

BRIGADIER QUILLIAM: May the witness identify the statement, sir, if that is necessary?

Q Is that your statement?

A Yes, this is my statement.

THE PRESIDENT: Mr. Blewett.

MR. BLEWETT: If your Honor please, if the prosecution intends to put this witness on as an expert, we would like the right to cross-examine him as to his abilities and training.

THE PRESIDENT: If you admit the truth of what he said, you can hardly question his ability or his experience.

Do you question that he has the degrees and that he had the interviews that he claims to have had, and that he had access to the materials that he claims to have had? I am only thinking of the time

LIEBERT CROSS

A The Bachelor of Philosophy degree in American institutions is the equivalent of a Bachelor of Arts degree. Some institutions give a Bachelor of Arts degree. Creighton gives a Bachelor of Philosophy, in addition to a Bachelor of Arts.

Q Does that mean that you majored in philosophy; is that correct?

A I actually had three major subjects to fulfill the requirements of a Bachelor of Arts degree, but in addition, work in philosophy. You would call my major subject philosophy, yes.

Morse & Barton

Q What year did you obtain this Bachelor of Philosophy?

A In 1935.

Q What year did you obtain your Master of Laws?

A In 1938.

Q Was your formal eduction concluded at that time?

A I don't know what you mean by formal education, but I have since that time taken many special courses such as problems in securities regulations before the Securities and Exchange Commission, methods of analysing documents from an accountant's point of view for special hearings before commissions, such things as that.

Q Do you have any degrees in economics?

A I haven't been awarded a degreet in economics.

Q When were you employed by the U.S. Department of Agriculture?

A From 1938, upon leaving school, until the commencement of my commission, that is, the commencement of active service as an officer in the United States Navy.

Q What was that date, Mr. Liebert?

A April 15, 1942.

Q Just exactly what was your position with

the Department of Agriculture?

A I was employed by the Solicitor's Office; Masten G. White was the Solicitor of the Department of Agriculture at that time.

Q I take it, therefore, then, that your work was strictly legal or largely legal?

A "Legal" is a very broad term. I am not a court lawyer. I have never conducted a trial.

Q But were you not engaged as an attorney?

A That is quite true, Mr. Attorney, but my work is in that field, shall we say the legal end of economics and business. Shall I illustrate what I mean?

Q Yes, yes; by all means.

A In the development of an analysis of a business, it is necessary to understand the laws pertaining to a particular business and their relation to the techniques of the operation of that business itself. I have made that my practice.

Q I take it that your work was to look up the law on a particular question and so advise your chief, is that correct?

A That is partly correct.

Q Now, I think the counsel asked you if you could not work in the relationship between the Department and private business. May we assume that the

work in that connection was legal also?

A Yes.

THE PRESIDENT: Ordinarily, Mr. Elewett, it doesn't take long for counsel to satisfy the Court one way or another as to the expertness or lack of it in the case of a witness of this kind. It is commonly allowed the defense, at an early stage, as soon as a witness of this type goes into the box, to cross-examine him as to his qualifications, but ordinarily the cross-examination doesn't take very long and details like this are not gone into.

Q Well, then, Mr. Liebert, may we take it that this work that you have been engaged in in Japan since you came here is purely investigatory in manner?

A No, no; that isn't true in its complete sense. Investigation is only the first part. During the war all the Japanese business was controlled by control associations, special laws, special corporations, legal mechanisms of all sorts. It has been my job to find out what these things are, why they were so, how best to divorce them from the economic structure of Japan so that it may be reorganized. I might add that as Chief of Control Section I have reorganized methods of distribution of materials, of supply and demand, within entire industries, It was

my purpose to do that within the entire business field in Japan. So the collection of information was merely the first step to making the final policy decision in these matters.

THE PRESIDENT: Mr. Blewett, you will be able to cross-examine again after he has given evidence in chief.

MR. BLEWETT: Yes, I understand.

Q What other problems of this magnitude have you been engaged in, if any?

THE PRESIDENT: He has never been engaged in a problem of this magnitude.

A I am afraid --

Q I will reframe that question, please. What other types of this work have you engaged in?

THE PRESIDENT: That is a useless question, Mr. Blewett. I don't like saying it to you but you know very well that this is so peculiar that it had no precedent.

MR. BLEWETT: My purpose, if your Honor please, is to find out if the witness is qualified to give conclusions as he undoubtedly will do in his statement.

That is all then, your Honor.

THE PRESIDENT: Brigadier Quilliam.

BRIGADIER QUILLIAM: May it please your Honor, does your Honor desire to hear more on that question of Mr. Liebert's qualifications as a witness?

THE PRESIDENT: None of my colleagues has intimated any desire to hear any more and I certainly don't. This would be a colossal task for any witness. He would have had no experience on this kind of thing before. We know that. We don't want to be told that.

BRIGADIER QUILLIAM: Then, if it please your Honor, I produce the witness' statement and ask that it be allotted an exhibit number.

CLERK OF THE COURT: Prosecution document No. 9030 will be given exhibit No. 840 for identification.

(Whereupon, the document above referred to was marked prosecution's exhibit No. 840 for identification only.)

THE PRESIDENT: Mr. Logan.

MR. LOGAN: If the Tribunal please, the defendants' objection to Mr. Liebert's testimony in testifying by means of a statement has been presented in Chambers so I shan't repeat them here. While there was no definite date set forth in the order for the service of this document, which is 127 pages, on the attorneys for the defense, it was understood that we were to receive it as quickly as possible.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDC # 775 012

THE PRESIDENT: Ten days was the time specified.

MR. LOGAN: The English copy was served on October 3, but the Japanese copy wasn't served on the Japanese attorneys until Thursday afternoon, October 18. We do not propose to object to introducing the document at this time on that ground, but we would like the Court to understand that in order to prepare for the cross-examination it will be necessary for the Japanese attorneys to take this matter up with their clients who, of course, only understand Japanese. I would, therefore, like to have permission of the Tribunal to suspend cross-examination when Mr. Liebert has finished his direct for a period of about a week so that the Japanese may prepare for it.

THE PRESIDENT: There is no need to suspend the American counsels' cross-examination, Mr. Logan.

MR. LOGAN: With this exception, your Honor, that the American attorneys haven't been able to find out from their clients because they haven't had an opportunity to go over the document, so it may be necessary that some American attorneys also would ask for an extension to time too.

THE PRESIDENT: Most of the Japanese counsel who come to that lectern either speak English or read

it. Still I am very sorry to hear that the Japanese translation was not served at the time I prescribed, that is, not later than ten days before the evidence was to be given. I hope it won't be necessary to postpone the cross-examination by the Japanese counsel. I feel at present that it won't be necessary. However, we will decide the matter later, Mr. Logan.

MR. LOGAN: I believe time would be saved by doing it, your Honor. We would have a more orderly cross-examination.

THE PRESIDENT: Brigadier Quilliam.

BRIGADIER QUILLIAM: If it please the Tribunal, may I say this in explanation? It was never appreciated that the Tribunal required that the Japanese translation should be served the period ahead of the giving of the evidence that was prescribed.

THE PRESIDENT: Well, I accept Japanese counsel as being on an equality with American counsel.

BRIGADIER QUILLIAM: Yes. The English copies were served many more days in advance of the giving of the evidence than was required by the Tribunal. Since the English were served eighteen days ago, so far as I am aware no request for a Japanese translation has been made.

THE PRESIDENT: Well, Japanese counsel should

be particularly helpful to their American colleagues on a matter like this.

BRIGADIER QUILLIAM: Yes.

THE PRESIDENT: However, we hope there will be no practical necessity at all events for any postponement of the cross-examination, and we are governed by practical necessities.

BRIGADIER QUILLIAM: If the Tribunal please, I will ask the witness to read the statement.

Q Will you proceed, please?

A "Preparation for war is disclosed in great measure by direct examination of the trends of raw material supply and industrial production. Enormous amounts of equipment of various sorts are necessary to the conduct of modern warfare. These equipments, in many cases, differ radically from those normally used in peace time economy. In other cases, the equipments are the same but the amounts and proportions are different. Hence to disclose preparation for war one must examine the end products of industrial activity subjectively and proportionately, as well as the flow of raw materials which are used, either immediately or potentially, in the manufacture of war products and equipments. Responsibility for directing the flow and expansion of production of raw materials and for establishing specialized industrial production for war preparation is best shown in the methods by which such objectives are achieved.

"The Outline of the Five-Year Plan for production of War Materials prepared by the War Office, dated June 23, 1937 (IPS Document 9002 A) is a plan for achieving a wartime supply of principal war

materials. Its purpose is to provide stimulation and control of industries to secure the specific end products which are vital to military effort."

BRIGADIER QUILLIAM: If the Tribunal please, I offer in evidence IPS Document No. 9002-A.

THE PRESIDENT: Admitted on the usual terms.

CLERK OF THE COURT: Prosecution document No. 9002-A will receive exhibit No. 841.

(Whereupon, the above-mentioned document was marked prosecution's exhibit No. 841 and received in evidence.)

BY BRIGADIER QUILLIAM: (Continuing).

Q Will you continue, please?

A I will read the preface, page one of that document:

"OUTLINE OF THE FIVE YEAR PLAN FOR PRODUCTION OF WAR MATERIALS. MILITARY SECRET.

1.) This outline, whose two primary objects lie in the perfection of war preparations simultaneously with the realization of the 5 Year Plan for Major Indistruies, has been drafted with the purpose of unifying the Army's policies principally within the sphere of handling of matters by military administration, in regard to the expansion, cultivation and control, etc., of munition industries

Greenberg & Martin

MARSHAL OF THE COURT: The Tribunal is now resumed.

THE MONITOR: The Japanese reading of the document is behind, so the reading will proceed.

DIRECT EXAMINATION

BY BRIGADIER QUILLIAM (Continued):

Q. Will you please continue with the reading of the document, witness.

A "4. In the promotion of important industries, those elements such as technique, capital, raw materials, etc., should be coordinated, and perceiving the mutual relationship of the various industries, we should eliminate any discord among them. However, we must distinguish the degree of importance and urgency and pick out in the first place the most important and urgent ones and encourage their achievment. With the above in view, the important items to be taken up with priority in our first period program are listed as follows:

"1. Munitions industry

"2. Aircraft industry

"3. Automobile industry

"4. Engineering machinery industry

"5. Iron and steel industry

"6. Liquid fuel industry

LIEBERT DIRECT

"7. Coal industry

"8. General machinery industry

"9. Aluminium industry

"10. Magnesium industry

"11. Shipbuilding industry

"12. Electric power industry

"13. Railway car industry

"The promotion of the Munitions and Aircraft Industries should be in accordance with the plan separately framed by the Army, but, elements such as funds, machinery materials, labour, fuel, motive power, etc., which should be dealt with and arranged in parallel with the promotion of general important industries, are included in this program.

5. Based on the foregoing principles, the general goal for the promotion of important industries and their arrangement in Japan and Manchuria are roughly shown in the attached table."

Page 1 of Part II:

RESUME OF POLICY RELATING TO
EXECUTION OF SUMMARY OF
5-YEAR PROGRAM OF
IMPORTANT INDUSTRIES"

"Tentative Draft by Army,
10 June 1937

"Outline of Plan for Expansion of Productive Power. In view of the present situation at home and abroad, this plan aims at the repletion and strengthening of the power of our nation, which is the stabilizing force of East Asia, and at the establishment of a comprehensive productive power expansion plan for Japan, Manchoukuo and China, which will bring about the realization of the necessary goal in regard to important national defense and basic industries by 1941, in order to be prepared for the epochal development of our country's destiny in the future; to be attained in spite of all difficulties.

"I. Basic Policy.

"A. The scope of this plan chiefly aims at the perfection of the foundation of national defense, and is particularly restricted to essential industries requiring rapid expansion under a unified plan."

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"I. Basic Policy.

"A. The scope of this plan chiefly aims at the perfection of the foundation of national defense, and is particularly restricted to essential industries requiring rapid expansion under a unified plan."

"B. This plan is for the establishment of a plan for the expansion of the productive power of the major industries of our country based on the policy for the establishment of a comprehensive plan for Japan, Manchoukuo and China through close contact and coordination among Japan, Manchoukuo, and China.

"C. This plan aims at the establishment of self-sufficiency in regard to important resources within the sphere of our influence and thereby avoid depending on the resources of a third power as far as possible even in time of an emergency.

"OUTLINE OF THE PLAN FOR THE EXPANSION OF PRODUCTIVE POWER By PLANNING BOARD

(Decided by Cabinet Conference) Jan 1939"

commodities), labour, and non-important production and consumption so as to ensure the wholesale and satisfactory progress of the program."

THE PRESIDENT: This is a convenient break. We will recess now for fifteen minutes.

(Whereupon, at 1445, a recess was taken until 1500, after which the proceedings were resumed as follows:)

so as to insure perfection in the wartime supply of principal war materials.

"2.) Such factors as funds, raw materials, materials, fuel, machinery, labor, technic, motive power and transportation, etc., that are likely to crop up in connection with the realization of this outline, shall be merged into the afore-mentioned Outline of the 5 Year Plan for Major Industries.

"In addition to this, as for the aircraft industry and automobile industry, they have been classified under the scope of the synthetic national policy due to there being so many requiring disposition by national measures. However, those deemed especially necessary under the respective related items have been inserted, also, in this Outline in order to regulate the Army's policies. This applies, also, to the machine industry.

"3.) The term 'munition industries' in this outline refers not only to industries engaged in the manufacture or repair of finished goods or parts for war purposes, but applies also to vital raw material industries.

"Furthermore, where necessary, the policies towards industries to be converted into the aforementioned industries in time of war have also been

made expressly clear in this Outline.

"4.) From the standpoint of controlling the pace of its execution, this Outline shall depend firstly on the basis of the fixed war budget.

"On measures planned outside of the aforementioned basis, special attention should be paid so as to avoid any confusion in regard to their description."

BY BRIGADIER QUILLIAM: (Continuing).

Q Will you continue with the reading of the statement, please?

A "To make possible the achievement of this basic Plan for production of the end products many supporting plans were made by the government. Three of these basic plans are contained in the document entitled 'Particulars in Framing a Program for Extension of Important Industries', IPS document 1522. The relationship of these three plans to war production is clear from the plans themselves."

BRIGADIER QUILLIAM: If the Tribunal please, I offer in evidence document 1522.

THE PRESIDENT: Admitted on the usual terms.

CLERK OF THE COURT: Prosecution document No. 1522 will receive exhibit No. 842.

(Whereupon, the above-mentioned docu-

ment was marked prosecution's exhibit No. 842 and was received in evidence.)

BY BRIGADIER QUILLIAM: (Continuing).

Q Will you continue, please?

A I will read the following excerpts from IPS document 1522 to fix this relationship, pages 1, 2 and 3 of part I; page 1 of part II; page 1 of part III; Pages 1, 2 and 3 of part I:

"ESSENTIALS OF 5-YEAR PROGRAM OF IMPORTANT INDUSTRIES. WAR MINISTRY, 29 May 1937.

"I Principle: We plan systematically to promote the activity of important industries generally by 1941, so that, if anything happens, our country may be capable of self-supplying the important materials in Japan, Manchuria and North China and also to realize long-stride advancement of the nation's strength in peace time, ensuring the actual power of leadership in East Asia.

"II Outline: This program, having in view five years from 1937 to 1941 as its first period, is to strictly select the classes and goals of important industries for the national defense and to control and encourage the realization production. Although five years has been set as a general period, the extent and time of achievment of the advancement and

expansion shall be adjusted in conformity with the degree of demand for the various materials.

"According to the degree of progress of the first period, necessary plans shall be prearranged for the second period.

"2. Although our Empire is made the subject in the promotion of important industries for national defense, the requisite industries (for national defense) should be pushed ahead to the continent as far as possible according to the principle of right work in the right place with Japan and Manchuria as a single sphere and in consideration of their necessity in our national defense, and, furthermore, observing the farsighted future policy of our Empire, we should pick out the most important resources, should ingeniously take the initiative in economic exploitation of North China, and should make efforts to secure its natural resources.

"3. In carrying out this program, it is considered advisable to avoid causing an abrupt change in our present system of capitalism. However, proper and timely measures should be taken in connection with the control of circulation of money, finance, prices of goods, trade, settlement of accounts with foreign countries, transportation, distribution (of