

Political Review for July 1932

(8)

(20)



No. -----

Office of Economic Adviser  
NOV 25 1932  
DEPARTMENT OF STATE

AMERICAN CONSULATE  
GENERAL,

Mukden, China, August 23, 1932.

FE  
VE  
EA

VC

SUBJECT: Political Review for July, 1932.

CONFIDENTIAL - For Staff Use Only.

COPIES SENT TO  
O.N.I. AND M.I.D.

THE HONORABLE

THE SECRETARY OF STATE,  
WASHINGTON.

Division of  
FAR EASTERN AFFAIRS  
SEP 21 1932  
Department of State  
sent to Peiping

SIR:

893.00P R- Mukden  
993.01 Mukden  
793.94

I have the honor to enclose herewith a copy of my despatch No. 643 to the Legation at Peiping, China, dated August 20, 1932, on the above subject.

Respectfully yours,

M. S. Myers  
American Consul General.

Enclosure!

Copy of despatch No. 643 to the Legation at Peiping.

4 Carbon Copies  
Received

1 copy detached for notes... H.S.

800  
HTW

FILED

NOV 20 1932

F/HS  
893.00 P. R. MUKDEN/57



INDEX

	Page
Political.....	2
Japanese Councilors for Manchoukuo.	4
Unification of Japanese Organs in Manchuria,.....	4
Taking Over of Post Offices.....	5
Military.....	8
Banditry.....	10
Financial.....	12
Official Visits.....	15
South Manchuria Railway Company Presidency.....	17
Japanese Consulates.....	17
Cholera.....	17



No. 643.

AMERICAN CONSULATE GENERAL

Mukden, China, August 20, 1932.

CONFIDENTIAL - For Staff Use Only.

SUBJECT: Political Review for July, 1932.

The Honorable

Nelson Trusler Johnson,  
American Minister,  
Peiping, China.

Sir:

I have the honor to submit a brief survey of political developments in this consular district during the month of July, 1932.

July was an eventful month for the new state and an ominous one for Chinese sovereignty in Manchuria. The last Chinese administration - the Postal - was closed and taken over by the new regime on the heels of the seizure of the Chinese Maritime Customs within its borders (in June) and within the Kwantung Leased Territory. The decision of the Japanese Government to despatch a temporary Japanese Ambassador to Manchuria who is invested additionally with the duties of Commander-in-Chief and Governor of Kwantung with an ample staff marks, there is ample evidence, another step in the consolidation of Japanese influence in Manchuria. At the same time it is significant that Japan has been asked to select three high Japanese advisers for Manchou-kuo who will be members of the Privy Council. Too,

Tokyo



Tokyo has been furnishing trained officials for the various Manchoukuo ministries at such a rapid rate that the complexion of that government is becoming thoroughly Japanese.

Other aspects of the situation in July included widespread and rampant banditry and the occurrence of an incident on the Jehol border (the capture of special service officer Ishimoto) which betokens developments in that part of Manchoukuo which so far has been permitted to remain outside the orbit of the "Paradise of the East".

**POLITICAL.** The more important political developments are discussed under other headings in this report. The capture of Gonshiro Ishimoto, a member of the Special Service of the Kwantung Army, by bandits near Chaoyangssu, on the Jehol-Fengtien border, on July 17 brought to the forefront the uncertain status of Jehol Province and gave the Japanese Military Authorities a favorable opportunity to announce their attitude towards outside interference in the affairs of that province, held to be part and parcel of Manchoukuo. The official spokesman of Japanese Military Headquarters stated unofficially that if Chang Hsueh-liang sends troops into Jehol it will be considered a hostile act. Reports of encounters with Jehol troops on the border were unfounded according to information supplied by Headquarters although clashes with bandits and probably Volunteers occurred within the confines of Jehol Province along  
the



the railway between the border and Peipiao, allegedly for the protection of the railway. As was reported Ishimoto's mission to Jehol Province - he accompanied a Manchoukuo official - related to the desired routing of the opium traffic through Manchuria for the benefit of Manchoukuo.

From Japanese official statements and press reports, it seems certain that the Japanese Military are seeking provocation for the occupation of Jehol Province. For this purpose every effort is made to discredit Chang Hsueh-liang and his chief henchmen while at the same time great care is taken to conciliate General T'ang Yü-lin, Chairman of Jehol. In which direction the move into that province will be made, that is via Tientsin and Peiping or directly across the mountainous eastern border, will depend on developments. The Japanese no doubt realize that Manchoukuo's claim to Jehol can only be insured by its occupation by Japanese troops.

There is apparently little doubt that Chang Hsueh-liang and his henchmen are responsible for some of the insurgent activities in Manchuria. That there are many Chinese officers in the so-called "Volunteers", or Yi Yung Chün, is believed to be true but that these irregulars have been organized to recover the lost territory, as is reiterated by the Japanese, is probably far beyond the expectations of their leaders and supporters.

Japanese



JAPANESE COUNCILORS      Press reports from Japan  
FOR MANCHOUKUO.            have stated that at the be-  
   hest of the Manchoukuo Govern-  
ment the Tokyo Government has selected three prom-  
inent Japanese to be members of the Privy Council  
(Ts'an Yi Yuan) of Manchoukuo. These councilors  
will, it is said, be advisers on military, finance,  
and diplomatic affairs. Lieutenant-General Kumashi-  
chi Tsukushi, retired, and Kesaroku Mizumachi, Privy  
Councilor, (Japanese) and a "veteran financial auth-  
ority" have been recommended as military and finan-  
cial councilors, respectively. Dr. R. Saito, a  
former director of the South Manchuria Railway Com-  
pany and member of the Foreign Office, Tokyo, will  
form the trio. Concerning these appointments the  
OSAKA MAINICHI of July 29 made the following comment:

"The Privy Council of Manchoukuo cor-  
responds in its importance to the Privy  
Council of Japan. Much is expected of the  
ability of these three highest advisers to  
the Manchoukuo Chief Executive."

UNIFICATION OF JAPANESE      A decision in regard to  
ORGANS IN MANCHURIA.            the unification of Japanese  
   administrations in Man-  
churia, a question which has been under discussion  
for many months, was finally reached by the Japanese  
Cabinet at a meeting held at Tokyo on July 26. Under  
the plan adopted the offices of Commander-in-Chief  
of the Kwantung Army and the Kwantung Governor are  
to be held by one man who shall additionally be in-  
vested as Ambassador to Manchoukuo. In this last  
named capacity he will be under the supervision of

the



the Foreign Ministry and shall have charge of diplomatic affairs. He will also exercise some supervision over the South Manchuria Railway Company. By this arrangement no change in the rules and regulations of the Kwantung Government was required. General Nobuyoshi Muto, former Inspector General of Military Education, was strongly supported in influential circles for this position and was subsequently appointed. His headquarters will be temporarily established at Mukden and next spring will be removed to Changchun.

According to press reports, the War Ministry offered objections to the title of "High Commissioner" for this position which had been used in one of the proposed plans for unification because it implies interference in Manchoukuo affairs and suggested that "matters concerning guidance to Manchoukuo" should be detached from the Ambassador's office and that guidance should be "extended through Japanese councilors on the staff of the Manchoukuo Government".

TAKING OVER OF POST OFFICES. It will be recalled that the Manchoukuo Government first attempted to gain control over the Chinese Postal Administration at Mukden in April last and that after considerable negotiations a provisional working agreement maintaining the status quo, except for auditing rights granted Manchoukuo, was signed on April 27. The move to take over the Chinese Postal Administration in Manchuria began to assume concrete form about the time of the arrival at Changchun of Mr. Y. Fujiwara, an Inspector of

the



the Japanese Communications Ministry at Tokyo, and some twenty other postal experts, to take up important positions in the Ministry of Communications. On his way to Changchun Mr. Fujiwara interviewed the local Postal Commissioner, Mr. Poletti, immediately after a call on General Honjo when he definitely announced that the Changchun authorities had decided to take over the Postal Administration and issue new stamps, which decision was evidently fully endorsed, if not inspired, by Japanese Military Headquarters. It was also made known that this step was regarded as vital in connection with the movement to secure formal recognition of the new state.

Negotiations then began between Mr. Fujiwara, in charge of postal affairs at Changchun, and Mr. Poletti for the purpose of reaching an agreement on conditions for the peaceful taking over of the Postal Administration. These conditions, as submitted by the Postal Commissioner, were: (1) Safe evacuation of the staff, (2) guarantee against intimidation of staff, (3) return to China of all unsold Chinese stamps and floating balance of public money and (4) receipt in full for postal property. Practical agreement on all of these points was evidently reached although some discrepancies crept in at the time of their application. Two Manchoukuo Japanese inspectors, who were assigned to the local Post Office on July 15, took charge of the distribution of the new stamps which began about that time. Japanese gendarmes, it may be

added



added, had been for some time interfering with the native personnel at Mukden and had attempted to induce some of the staff to join the new regime.

Without warning and about a week before the Manchoukuo authorities had planned to assume full control of the Postal Administration, the Postal Commissioner, under instructions of the Inspector General, suspended as of 2:00 p.m. on July 24 all postal operations throughout Liaoning Postal District and filed on the same day a strong protest with the Japanese Consulate General claiming that Manchoukuo Government, by its violation of the status quo agreement of April 27 and premature issue of stamps, was solely responsible for the suspension of the service. Similar steps were taken in Kirin and Heilungkiang Provinces and consequently the whole Chinese Postal Administration in Manchuria ceased functioning and the personnel immediately began to evacuate. By the end of July the majority of the Mukden staff and all the staff west of Hsinmin had succeeded in slipping away quietly and in returning to China. A system of individual passes for the personnel which had been devised by Manchoukuo agents for the obvious purpose of bringing pressure on them to join the new service at the time of making application therefor was rendered abortive by the Commissioner's insistence upon their issuance in the presence of two foreign postal assistants. Out of a total personnel of 1500 in the Liaoning District only about 35 are known to have joined the new service.

The



The Manchoukuo Post Office at Mukden was opened for business on July 27 with the assistance of Japanese postal employees from Dairen and Mukden, several of the latter doing part duty at both the Japanese and the Manchoukuo Post Office. At the outset the service was extremely poor but has been gradually improving. Naturally a serious effort is being made to reestablish postal communication between the principal cities. It is to be expected, however, that the organization of a service corresponding to the one just disrupted, which had 120 courier lines in Fengtien Province alone, will require a long time, particularly in view of the lack of postal officials familiar with local conditions, and the hostile attitude with which the new service will be received in many districts.

At the time of the closing of the post offices the Chinese Government declared a postal blockade of Manchuria, Chinese post offices refusing to accept mails from or forward mails to that territory. Some confusion apparently existed at the outset in regard to the application of this policy to the Japanese post offices in the railway zone, but subsequently mails to and from China have been handled by these post offices. Reference is made to despatches from this office on this subject dated July 5, 15, 16, 21, and 21 and August 8.

MILITARY. Japanese military activity was confined mainly to North Manchuria where the campaign against Ma Chan-shan was apparently brought

to



to a successful conclusion. However, small Japanese units have been active in bandit suppression in this district, more particularly in the southwest. On the Jehol border only some minor encounters with bandits and irregulars occurred, the threatened military campaign against that province practically being out of the question at this season of the year. It was reported that airplanes dropped bombs on Chaoyangssu (Chaoyang, as mentioned in some reports) on July 18, following the capture of Special Service Officer Ishimoto on the previous day; it is understood that airplane bombing raids on bandits have been a common occurrence.

It was reported that the Kwantung Army Headquarters will be removed from Mukden to Changchun as soon as suitable buildings are constructed. Contracts involving an expenditure of Yen 827,000 at Changchun and 174,000 at Tsitsihar (latter for barracks) were reported to have been signed and construction work has already been started.

The Japanese Military are extending their air fields at Mukden, Changchun, Harbin, and Tsitsihar, and have purchased American tractors (Catepillar) and grading equipment for use at each of these fields. New airplanes were brought to Mukden from Japan in June and work on the new air fields at Feng Yung University, west of the city, was hurriedly completed by using modern grading equipment. This field, on which thirteen hangers have been erected, is nearly two square kilometers in area. The

university



university building is used as offices of the air force. It is understood that the principal military air bases will be located at these points. The Japanese Army is establishing air fields in many parts of Manchuria, the one at Fenghuangcheng, near Antung, having been recently completed.

A special military force for bandit suppression called, "Pacification Patrols" (靖安游擊隊), is being organized under the direction of the Changchun Government. It is reported that one unit of 500 men has been formed at Mukden and another with a police dog detachment which is being organized and trained by Captain Kishi of the Kwantung Army is in course of formation. This force is entirely officered by Japanese and, it is said, is intended to form the nucleus of a model army for Manchoukuo.

**BANDITRY.** Bandit conditions in South Manchuria which were reported upon in some detail in despatches Nos. 630 and 635 of July 16 and 30, respectively, have become extremely serious. Although allegedly they are worse in the Chientao region (along the Korean border in Kirin Province) and along the Kirin-Tunhua Railway, concerning which areas available information is usually sketchy and unsatisfactory, banditry and disorder have been widespread and rampant. From a reliable source it has been learned that out of the 58 districts of the province only about 25 are in touch with the provincial government at Mukden - the others have been cut off entirely - and that these districts are in part overrun or controlled by bandits.

According



According to figures supplied by the Japanese Consulate General, the motley forces of disorder in Fengtien Province comprising bandits, Volunteers (Yi Yung Chün), "Big Swords", "Red Spears", and others number some 150,000.

It is probably true, as the Japanese claim, that at least some of this disorder is instigated and financed in part by Chinese leaders, among whom Chang Hsueh-liang is their particular anathema, in order to annoy and harass the Japanese forces, but there can be no doubt that the existing chaotic conditions are mainly the result of the Japanese military occupation and the complete subversion of the former regime. It is admitted that Manchoukuo troops cannot cope with the situation and that they can only be effectively used when supported by Japanese units in the proportion of one or two companies to one regiment of Manchoukuo troops. It is evident that under these conditions the restoration of order can only be accomplished by Japanese troops. That the task will be a difficult and expensive one is plainly indicated by the extent and character of the disorder and the apparent growing hostility of the peasant population which is now likely to become more susceptible to communistic propaganda. It may be mentioned that the crops, particularly kaoliang, afford excellent cover at this season of the year for bandit operations.

As a result of these conditions Chinese business throughout the province is at a standstill and in the interior the larger merchants have

closed



closed their shops and sought refuge at safe points or are seeking to do so. For similar reasons many farmers have abandoned their growing crops. Life and property have been wantonly destroyed and, except in a comparatively few places, their security is non-existent. However, the prospect of good crops, except in the flooded areas, affords some hope of economic relief.

It was recently learned from the local Japanese Consulate General that there are still over 4000 Korean refugees at Mukden who are being supported at government expense. These have, for the most part, escaped from the eastern districts and it is planned to send them to Shanchengtzu, on the Mukden-Hailung Railway, where large barracks are being built for their accomodation and where already some 10,000 have congregated. It is stated that there are considerably over 20,000 Korean refugees at Mukden, Fushun, and other points along this railway and that small groups are still fleeing from the eastern districts. Accordingly, it would seem that Shangchengtzu, an important agricultural area, is rapidly becoming populated with Korean farmers. In what manner land is being provided for these refugees has not yet been ascertained.

FINANCIAL. The Central Bank of Manchoukuo was finally after several delays formally opened on July 1, 1932. This bank is an amalgamation of the four leading banks of Manchuria, namely, the Three Eastern Provinces Bank, Frontier

Bank

893.516 Manchuria



Bank, Yung Heng Government Bank of Kirin, and the Provincial Bank of Heilungkiang. An inauguration ceremony was held at Changchun, the seat of the central office, which was participated in by Chief Executive P'u Yi, as well as a number of officials of the new regime including Mr. Komai, Chief of the Department of General Affairs of the State Affairs Yuan. Yung Hou (榮厚) who was Commissioner of Finance at Kirin to General Tso-hsiang and who was some months ago arrested at Changchun under circumstances which were reported in my despatch No. 595 of June 6, 1932, has been induced to accept the presidency of the new bank. The actual head, however, is Vice-President K. Yamanari who was formerly a director of the bank of Taiwan. The nominal capital of the bank is Yuan 30,000,000. of which half is to be subscribed by the state and half by private interests but, as far as is known, only half of the government share has been paid in.

The laws and regulations governing the new bank and the currency have been promulgated, and as provided therein the existing paper currencies are being kept in circulation for the time being. Official exchange rates were announced at 6:00 p.m. on June 28, 1st year of Tatung (1932), for the various paper currencies of the above named banks. The yuan, or basic coin of the new currency, will contain 23.91 grams of pure silver and is of the same value as the convertible notes of the Three Eastern Provinces Bank and of the Frontier Bank. A translation of these laws and regulations will be submitted shortly.

The



The abolishment of the following offices was reported in the MANCHOUKUO GOVERNMENT GAZETTE of July 16: The Bureaux of Finance in the provinces and the Revenue Stamp Office and the Wine and Tobacco Office in Kirin Province. The Finance Bureau at Mukden was replaced on July 12, 1932, by the Fengtien Revenue Supervisor's Office (奉天稅務監督署), of which Wang Chia-ting (王家鼎) is Director and Y. Miura (Japanese) Vice-Director.

Provincial financial autonomy which existed in Manchuria under the old regime will be abolished under the new financial system which is being gradually introduced. In this connection it is said that the revenue from indirect taxation shall be reserved for the central government at Changchun and from direct taxation for the governments of the provinces. Manchoukuo officials have asserted, according to reliable information, that taxation in Fengtien Province has been greatly reduced (given as nearly 50%) but that in the two northern provinces it will be slightly increased. Although it is known that some taxes were reduced last autumn and a few others abolished (reference my despatch No. 487 of November 18, 1931, file No. 851.2 concerning "The Revised Tax Regulations and Budget for the Fiscal Year July 1, 1931 to June 30, 1932), the extent of this reduction would be difficult to verify in view of the general disorganization of government and the marked contraction in trade.

It is interesting to note in this connection that a Tokyo press report in July recorded the

departure



departure from Tokyo of a group of ex-officials of the Ministry of Finance who had resigned to take up positions with the new government.

**OFFICIALS VISITS.** The most important official Japanese visitors during the past month have been Lieutenant-General Mazaki, Vice-Chief of the General Staff, Tokyo, and M. Tani, Chief of the Asiatic Bureau of the Foreign Office. Both arrived here during the latter part of June and returned in July. Mr. Tani, who reached Mukden on June 26, discussed postal matters with the Chinese Postal Commissioner and after visiting Changchun and other important points, travelled by air over the new military air route between Changchun and Lungchingtsun where, it is believed, he investigated the Rapp (German missionary) murder case for the Foreign Office. Both General Mazaki and Mr. Tani seemed to have interested themselves in the proposed unification of government organizations in Manchuria.

Three missions from Manchoukuo, the first of their kind, visited Japan and attracted much attention there. The first in point of time was the Manchoukuo Girls' Mission comprising two Japanese, two Chinese and two Korean young girls under the chaperonage of a Japanese woman.

Ting Chien-hsiu (丁鑑修), Minister of Communications at Changchun, was sent by the Government on a "Good-Will Mission" to Japan. He was accompanied by Ling Ch'i (林榮), Chief of the Supreme Court, and several Japanese. The purpose

of



of his visit, according to his statements to the Japanese press, was "to express on behalf of the 30,000,000 people of Manchoukuo their profound gratitude to the Japanese for the warm aid given by them to the Manchurians in the establishment of Manchoukuo". Actually the visit was seemingly designed to give a visible demonstration of Chinese (Manchurian) gratitude for Japanese voluntary assistance to and expenditure of treasure for the new state with a view to once more attracting attention to the expression of the will of 30,000,000 people and possibly to reviving interest among the Japanese in a question which is becoming less popular.

The important emissary to Japan from Manchoukuo was Mr. Tokuzo Komai, Chief of the Department of General Affairs of the State Affairs Yuan (actually the directing head of the government), who after conferring with "leaders of the Kwantung Garrison" at Mukden on July 25 returned to Changchun whence he departed for Japan by airplane, travelling via Lungchingtsun and northern Korea. Japanese press reports agree in regard to his mission being important and allege that early recognition is one of its main items. Other questions said to have been discussed with the Japanese Government, according to the Mukden correspondent of the OSAKI MAINICHI, were the Manchurian policy to be followed in dealing with the Jehol issue and with Chang Hsueh-liang and the proposed contract in regard "to Japanese emigration and industrial development in Manchoukuo's

colonial



colonial enterprise in the eastern part of Kirin Province". His early return to Manchuria is reported in the press.

**SOUTH MANCHURIA RAILWAY COMPANY PRESIDENCY.** The new President of the South Manchuria Railway Company who was appointed

on July 26 as successor to Count Uchida, resigned to become Foreign Minister, is Count Hakutaro Hayashi, Kenyukai leader and member of the House of Peers, and also a professor in the Tokyo Imperial University. The new president has been quoted as uttering the usual platitudes concerning Manchuria's being Japan's life line and future destiny.

**JAPANESE CONSULATES.** A Japanese Consulate was officially established at Chihhsien, on the Feng-tien-Shanhaikuan Railway, on July 27.

As previously reported, a temporary consular office had been opened at that place early in the year.

On the same date (July 27) the Japanese Consulate at Changchun was raised to a Consulate General. It will become the senior Japanese consular post in Manchuria.

The much discussed establishment of other consular offices in Manchuria has been dropped, at least for the time being.

**CHOLERA.** An outbreak of cholera occurred at Newchwang at the end of June and by July 1 five genuine cases resulting in four deaths were reported. Up to August 1st the total number of deaths from cholera in this consular district was given as 965, of which 700 (estimated) and 136

respectively



respectively had occurred at Tungliao and Peichen near the Jehol border. At Changchun the number of deaths was reported as 41 and at Newchwang and Mukden 14 and 4 respectively. The medical authorities of the South Manchuria Railway Company have taken precautionary measures to prevent the spread of the epidemic and have distributed a large quantity of anti-cholera serum for inoculation purposes. Recent press reports indicate that the epidemic is becoming worse, more particularly in such interior towns as Tungliao and Chengchiatun (Liaoyuan).

Respectfully yours,

M. S. Myers,  
American Consul General.

Enclosure:  
Index.

800  
MSM:MHP

Original and one copy to Legation.  
Five copies to Department.  
One copy to Embassy, Tokyo.  
One copy to Consulate General, Harbin.  
One copy to Consulate General, Shanghai.  
One copy to Consulate General, Tientsin.  
One copy to Consulate, Dairen.

AMERICAN CONSUL GENERAL  
TIENTSIN  
JUL 1 1917  
H