

Political review for April 1932

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AMERICAN CONSULATE

GENERAL,
Mukden, China, May 24, 1932.

Foreign Adviser
JUN 13 1932
DEPARTMENT OF STATE

JUN 15 32

SUBJECT: Political Review for April 1932.

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THE HONORABLE
THE SECRETARY OF STATE,
WASHINGTON.

Office of Economic Adviser
JUL 2 1932
DEPARTMENT OF STATE

Division of
FOREIGN AFFAIRS
JUN 16 1932
Department of State

SIR:

I have the honor to enclose herewith a copy of my
despatch No. 581 to the Legation at Peiping, China, dated
May 19, 1932, on the above subject.

Respectfully yours,

M. S. Myers
M. S. Myers
American Consul General.

Enclosure:

Copy of despatch No. 581
to the Legation at Peiping.

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4 Carbon Copies
Received *F.P.*
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for notes. *H.S.*
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Kirin forces by the Japanese was generally regarded, it is understood, as unwarranted. It is significant that the press never reported these executions.

Progress was made in the organization of government, both central and provincial, the process disclosing the supreme role that is being played by Japanese. On April 10 it was announced from Changchun that formal notification of the establishment of the new state was on that date sent to the Foreign Offices of thirty-five Powers. It will be recalled that seventeen Powers were notified by telegram in March.

POLITICAL. Both at Changchun (Hsinking), the capital of the new state, and at Mukden, the processes of government organization were carried on during the month. As was foreshadowed in my review for March, Japanese have been appointed to responsible positions in the new government, the post of adviser having been abolished. The Bureau of General Affairs is the principal office in each ministry, the chief of which in every case is a Japanese. Among these appointments, that of Mr. Sakatani, a son of the well-known financier Baron Sakatani, as head of the Bureau of General Affairs in the Ministry of Finance and Mr. Yamanari, a former director of the Bank of Taiwan, as Vice President of the projected Central Bank of Manchoukuo are worthy of note (a list of these appointments will be submitted later). The principal Japanese in each department is its

directing

directing head, the Chinese chiefs being merely "window dressing". For instance, Japanese in conversation refer to Mr. Sakatani as Minister of Finance. Further characterization of the government of Manchoukuo seems unnecessary.

The following interesting announcement of the State Affairs Yuan on the subject of the employment of Japanese was published in the press under date line of Changchun, April 24:

The employment of Japanese is based on the principle of the open door and equal opportunity which is in accord with the spirit of the formation of the new state. The Chief Executive and the Premier have stated that all inhabitants of Manchuria irrespective of nationality who have worked earnestly for the establishment of the new state may be employed by the Government at this crucial time.

In this connection a press report under date of Tokyo, April 15, stated that the Government of Manchoukuo had asked Tokyo to send military experts to Manchuria and that it had been decided to send scores of them. Information supplied the League Commission by the local Military Authorities confirms the employment of many Japanese officers by the Manchoukuo Government, the pertinent portion of the Commission's preliminary report reading as follows:

"Many Japanese officers, either resigned or still belonging to the Japanese Army have been engaged as military advisers and their number is increasing. Contracts with some of these officers have been made for one year. A Japanese staff officer has been appointed adviser to the 'Department of Defense of the Manchoukuo Government' at Changchun."

It

It is understood that Japanese officers are assigned to all the principal units of the Manchoukuo Army as well as occupy important positions in the Ministry of War.

The organization of the provincial government in accordance with the laws of the new state has made considerable progress. Within the Governor's office there are now five bureaux, namely, General Affairs, Civil Administration, Education, Police and Industry. Their chiefs who were appointed by Changchun during the month include two Japanese, Dr. Kanai as head of the General Affairs Bureau and K. Mitani as head of the Police Bureau. Dr. Kanai was formerly chief adviser and now dominates the Government. The Police Bureau controls all police throughout the province and its organization, according to a Japanese press report, is similar to that of the Police Bureau in Tokyo.

Maritime Customs.

The Chinese Maritime Customs at Newchwang and Antung continued to function without any interference on the part of the Japanese advisers attached to the respective Superintendent's Office. However, on April 13, 1932, the Newchwang Customs received instructions from the Government of the new state to discontinue making remittances to Shanghai. Revenue collections are still being kept in the Bank of China as heretofore. The Customs at Antung received similar instructions about the same time. In view of the pronouncement

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relative to the Customs made in March, it is thought that this restriction on remittances to Shanghai is being applied as a temporary measure pending the conclusion of an arrangement in regard to the amount due from Manchuria for servicing loans secured on the Customs revenue.

Smuggling. As has been mentioned in reports from this office, extensive smuggling into Manchuria has been going on for some time both from Korea and the Leased Territory. It has been learned that owing to the disastrous effect of this illegal trade on legitimate business, Japanese merchants at Newchwang some time ago petitioned the Government of the Kwantung Leased Territory to use its good offices to put a stop to it. Much improvement in this respect has already occurred and according to a reliable report smuggling at Antung has practically ceased. Obviously more interest has been shown by the Japanese in this matter since the surplus revenue collections are to be received by the new state.

Salt Administration.

As was reported in my review for March, the District Inspectorate of the Salt Gabelle at Newchwang was ordered to close its offices late in March and hand over its functions to the Salt Commissioner. The District Inspectorate, however, under instructions from the Inspectorate General lodged a protest against this interference with its duties and continued to function. On April 15th

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under orders of the Japanese adviser of the Salt Transportation Office the staff of the Inspectorate was ejected and the offices sealed. In this connection it was learned that Mr. Funatsu, the foreign Inspector, was a few days prior to the closing of the offices peremptorily ordered to return to Japan and was obliged to leave the packing of his effects to his wife who followed him as soon as practicable. It is possible that compliance with the orders of his superior drew upon him the anger of the Japanese military. ~~The~~ Japanese adviser, Mr. Nagata, is according to a press report now Acting Salt Commissioner, ad interim, vice Chang Hui-lin recently resigned.

Chinese Postal Administration.

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On April 1, 1932, the long expected move to take over the Chinese Postal Administration was taken concurrently both at Mukden and Harbin, the head offices of the two postal districts of Manchuria. Forthwith the money order, postal savings bank and insured services were suspended and negotiations initiated which were not concluded until April 27, on which date a memorandum agreement based substantially on the local Postal Commissioner's original terms was signed. In brief, the status quo of the postal administration is maintained with the exception of the auditing of accounts and of certain other limitations regarding the disposal of money order fees and postal funds. On the following day all postal functions were resumed except the savings

bank

bank business. In the very nature of things, this agreement is to be regarded as a provisional make-shift arrangement. This subject was treated in detail in despatches dated April ^{893.71/r-1} 6 and May 2, 1932, to the Legation.

BANDITRY. Banditry and anti-government activities continued to be rife throughout April, conditions generally being similar to those of the previous month. The growing unrest in the Chientao area, referred to in my review for March, occasioned the despatch of a "detachment" of the 19th Division early in April from northern Korea for the protection of Japanese subjects. Although insurgent activities in the immediate vicinity of Mukden were less frequent than in March, surprise attacks on the Arsenal, guarded by Japanese soldiers, and raids on neighboring villages continued to occur. The capture of some officers and other at Mukden who were connected with these insurgents was reported by the Japanese gendarmery but it is doubted that the list of captives included Wu Chai-hsing (吳家興), "Commander of the Volunteer Army of the Northeast" as was claimed. That he or his adherents were in the vicinity of Mukden at the end of the month would seem to be indicated by the fact that this office received a letter bearing his personal and official seals which was delivered by messenger. Encounters with insurgents near Tungliao in western Fengtien where Japanese interests employing large numbers of Koreans operate several large farms were reported

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arrested were Kai Wen-hua (aged 39 years) Chief of Colonization Affairs at Chiaoho, Wang Tsun (23) instructor in Li Ch'un primary school of Kirin, Hsiao Ch'ing-kung (41) Chairman of Chamber of Commerce of Chiaoho, Wan Mao-sheng (46) Chairman of Chamber of Commerce of Tunhua, Yü Teng-yün (42) Chief of Chiaoho Tax Office, Wang Lien-en (46) Chairman of Agricultural Association of Chiaoho, Wang Ti-chung (36) Sectional Chief of Kirin-Tunhua Railway Police and four other employees of that railway and a lumber merchant. Their execution on April 5 and 6 by the Japanese came as a shock and was generally regarded, it has been learned, as unwarranted. It is possible that some or all of these Chinese have had relations with or given aid to enemies of the Japanese but under the circumstances they would possibly have met a similar fate had they refused such aid. In some quarters it is thought that intimidation has been no inconsequential motivating factor in these executions. It is worth noting that they were not reported in the press.

VISIT OF LEAGUE The Far Eastern Commission of Inquiry of the League of Nations arrived at Mukden on April 21, 1932, in two groups, one, comprising the American and Italian Commissioners, by rail from Shanhaikwan and the other by train from Dairen. Dr. Wellington Koo, the Chinese Assessor, whose coming to Manchuria was strongly objected to by the Manchoukuo regime accompanied the party that

travelled

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Commission

via Dairen, the Japanese having guaranteed his protection while in the railway zone. The extensive precautions taken by the Japanese authorities with the cooperation of the Manchoukuo police for the protection and isolation of Dr. Koo and his large staff were obviously designed to prevent them from getting in touch with local Chinese officials and others. Several local Chinese who saw or attempted to see members of Dr. Koo's party were arrested. In fact, "precautions" of a comprehensive nature were taken to forestall any but authorized representations being submitted by Chinese to the Commission.

During this visit of ten days' duration the Commission interviewed, amongst others, the Acting Japanese Consul General and General Honjo, the Commander-in-Chief of the Kwantung Army, from whom the official Japanese version of the developments of the Manchurian "incident" and the creation of the new state was obtained. As may be expected the commissioners were in frequent touch with their respective Consuls. The Commission left Mukden on May 2nd for the north and will stop here again on its way south. This visit was reported in detail in my confidential despatch No. 464, of May 3, 1932, to the Department.

INSPECTION TOUR OF AMBASSADOR ~~TANAKA~~. Very naturally Manchuria has been attracting many Japanese visitors. Every week there are press notices of this or that organization

or

or group investigating conditions in Manchuria, amongst whom are college professors, industrialists, merchants, postal experts, telegraph and telephone experts, military and civil officials and many others. One of the most prominent recent investigators was Mr. Tanaka, former Ambassador to Soviet Russia, who recently spent one and one-half months in Manchuria, during which time he visited some of the principal centers. It is generally understood that his investigations related to the proposed establishment of additional consular offices in Manchuria. It is surmised that he was also interested in Soviet Russian Affairs. JAPANESE Preliminary arrangements were concluded LOAN. during the month for a loan of Yen 20,000,000 by the new state, the final contract having been signed in the early part of May. This sum is being provided by the Mitsui and Mitsubishi interests through the Bank of Chosen which apparently is in a position to protect the interests of the creditors. The term of the loan is five years, interest five per cent and security the salt tax. This loan, it is generally believed, will provide capital for the new Central Bank whose advent is expected during the current month.

There is a report that the Sumitomo interests are contemplating offering to lend the new government several million yen on easy terms.

IMMIGRATION. Indications are not wanting that the authorities of the new state

propose

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propose to restrict immigration from China and foster immigration from Korea and Japan. In March 1932 both the South Manchuria Railway and the Fengtien-Shanhaikwan Railway abolished half fares for refugee immigrants and in April the press reported the issuance of instructions by the Ministry of Civil Administration restricting the immigration of coolies from China under the guise of preventing the entry of suspicious characters and undersirables who are a menace to peace and order. The machinery for the control of these immigrants has not yet been created but owing to the situation in Manchuria it is understood that the number of coolies that have entered Manchuria this spring has been extremely small.

According to the statement of a small Cantonese merchant who recently travelled from Tientsin to Mukden, the only inspection to which he was subjected was carried out by Japanese at Sui-chung, Chinhsien and Koupangtze. From the last named place he was shadowed by a Chinese detective up to Mukden where his identity was apparently established to the satisfaction of all concerned. He stated that there was no evidence of any inspection of travellers by Manchoukuo agents.

The immigration of Japanese and Koreans to Manchuria has been the subject of numerous reports in the Japanese press in recent months but there appears to have been no concrete developments in this direction so far. Some of the proposed schemes will

will require considerable capital. There is a report that the Japanese Government will conduct a through study of the problem. It is obvious that conditions in Manchuria at present are unfavorable for the launching of such schemes.

However, many Japanese and Koreans have come to Manchuria in search of work. A few have found employment with the South Manchuria Railway or with Japanese Government organs but others have not been so fortunate. Exaggerated press reports in regard to the wealth of Manchuria and Japanese projects for developing its resources have no doubt influenced many to seek their fortunes in this land "flowing with milk and honey". The inns of Dairen and Mukden are filled with these people. Owing to the limited opportunities for obtaining employment at this time, suggestions have been made that such persons should be warned against coming to Manchuria and that employment agencies should be created in Japan to meet this situation.

MILITARY. A brief resume of the military situation in Manchuria appears opportune at this time in view of the investigations of the League of Nations Commission of Inquiry and of the statements of responsible members of the Japanese Government early in April that the reenforcement of their forces in Manchuria was imperative. The figures given below were for the most part supplied to the League Commission by the Japanese Military Authorities

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Manchuria

Authorities at Mukden and were embodied in the preliminary report of the Commission which was published early this month. The following figures are as of the end of March except where otherwise stated:

Manchoukuo Army	85,000
(It consists mainly of former Chinese regular troops stationed in Manchuria (approximately 60,000) which have been reorganized and partly of new recruits. This military establishment was created with the assistance of the Japanese Military Authorities and has many Japanese officers in responsible positions. Note - these troops are generally unreliable.)	
Local police, including 60,000 local guards	<u>119,000</u>
Total	204,000

Anti-Manchoukuo Forces -

A. Portions of former Chinese Army not recognizing new regime	
(1) Force northeast of Harbin (commands of Li Tu and Ting Ch'ao)	30,000
(2) Force of Li Hai-ch'ing	10,000
(3) Remnants of 9th (3rd ?) Cavalry Brigade on eastern Jehol frontier	3,000
B. Volunteers, in Chinchow area, Mukden area, "Volunteer Army of Jehol" and several minor bodies	<u>40,000</u>
Total	83,000

Bandits not organized primarily for political purposes, estimated (especially found south of Chinese Eastern Railway)	40,000
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Bandits, special force north and east of Kirin city	12,000
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Total

Total 52,000

The strength of the Japanese forces was given for the latter part of April as follows:

Inside the Railway Zone 6,600

Outside the Railway Zone principally in the regions of Tsitsihar, and the Ssu-ping-kai-Taonan and Mukden-Shanhaikwan Railways, Chinese Eastern Railway east of Harbin and the Kirin-Tunhua Railway 15,800

Total 22,400

Some of these figures seem small, more particularly those for bandits and for the Japanese troops. Besides 6 battalions of independent Railway Guards obviously not included in the above figures for Japanese troops, whose admitted strength is 800 men per battalion, there was ample evidence of the presence of the following units at the end of April:

20th Division under General Muro - the withdrawal of the 39th Brigade of this division to Chosen was completed in May, the 38th Brigade under Major-General Yoda being left in Manchuria;

Detachments of the 19th Division from Chosen, strength unknown;

8th Division (Hirosaki) under General Nishi, with headquarters at Chihhsien;

10th Division (Himeji) under General Hirose, with mobile headquarters, now Sansing.

The Division Headquarters and parts of the last two divisions arrived in Manchuria from Japan during the latter part of April. The 4th Mixed Brigade under Major-General Suzuki, now at Koupangtzu, and the 8th Mixed Brigade under Major-General Murai are parts of the

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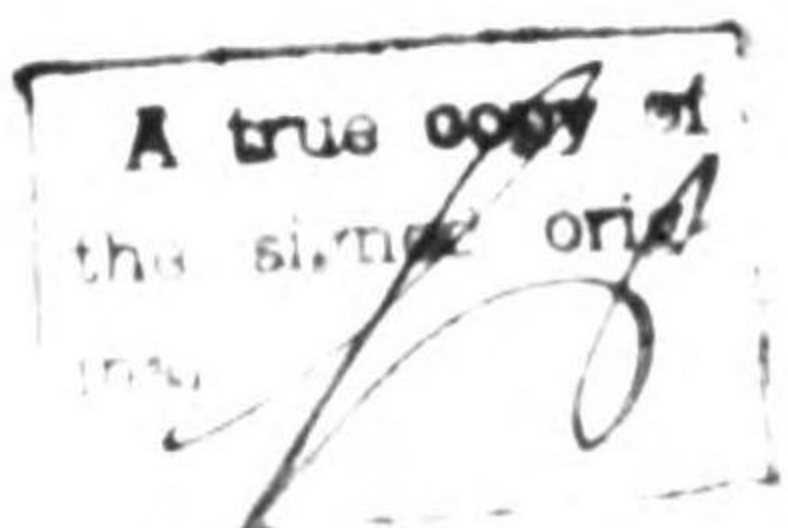
the 8th and 10th Divisions respectively. It would seem, therefore, that there were over four divisions of regular troops in Manchuria at the end of April in addition to the Railway Guards.

In this connection mention may be made of the large movement of Japanese troops into North Manchuria during the latter part of the month, including the Yoda Brigade of the Chosen Division which was sent north from Chihnsien and the 10th Division from Japan. The Tamon Division was moved from Harbin, one brigade to the Tsitsihar area and the other to the Kirin-Changchun-Tunhua line. Too, early in April the 19th Division or part of it was moved into the Chientao region from northern Korea, where it is apparently operating in cooperation with other Japanese units along the Chinese Eastern Railway and the Kirin-Tunhua Railway. As was reported in my telegram of May 2, the Japanese Military Authorities regarded the situation in North Manchuria as serious and indicated that still further reenforcements were necessary.

Mention may be made of the transfer of General Miyake, Chief of Staff of the Kwantung Army, to the General Staff, Tokyo, and also of his recent promotion to the rank of Lieutenant General. His successor, Major General T. Hashimoto, transferred from the General Staff, is an expert in Russian affairs.

Respectfully yours,

M. S. Myers,
American Consul General.



Original

Enclosure:

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**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, Tientsin.
One copy to Consulate General, Shanghai.
One copy to Consulate Dairen.**

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Enclosure No. 1 to despatch No. 581 of M.S. Myers,
American Consul General, Mukden, China, dated
May 19, 1932, to the Legation, Peiping on the
subject "Political Review for April 1932".

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No. 581.

AMERICAN CONSULATE GENERAL

Mukden, China, May 19, 1932.

CONFIDENTIAL - STAFF USE ONLY.

SUBJECT: Political Review for April 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 for the month of April 1932.

The outstanding events of the month were the visit of the Far Eastern Commission of Inquiry of the League of Nations, the arrival of Japanese reinforcements from Japan which were for the most part sent to North Manchuria in view of the growing seriousness of the military situation there, the continued activities of insurgents and bandits and the appointment of many Japanese to important posts in the new government. The execution of twelve Chinese at Kirin, many of whom were prominent men in their respective communities, for being connected with or having rendered aid to the anti-

Kirin