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FIFTH  
REPORT ON PROGRESS  
IN MANCHURIA  
TO 1936

EVIDENTIARY  
DOCUMENT  
# 1800

THE SOUTHERN MANCHURIA RAILWAY COMPANY

QANTON, JULY 7, 1936



FIFTH  
REPORT ON PROGRESS  
IN MANCHURIA  
TO 1936



THE SOUTH MANCHURIA RAILWAY COMPANY  
DAIREN, JULY, 1936



FIFTH  
 REPORT ON PROGRESS  
 IN MANCHURIA  
 TO 1936



THE SOUTH MANCHURIA RAILWAY COMPANY  
 DAIKIN, JULY, 1936

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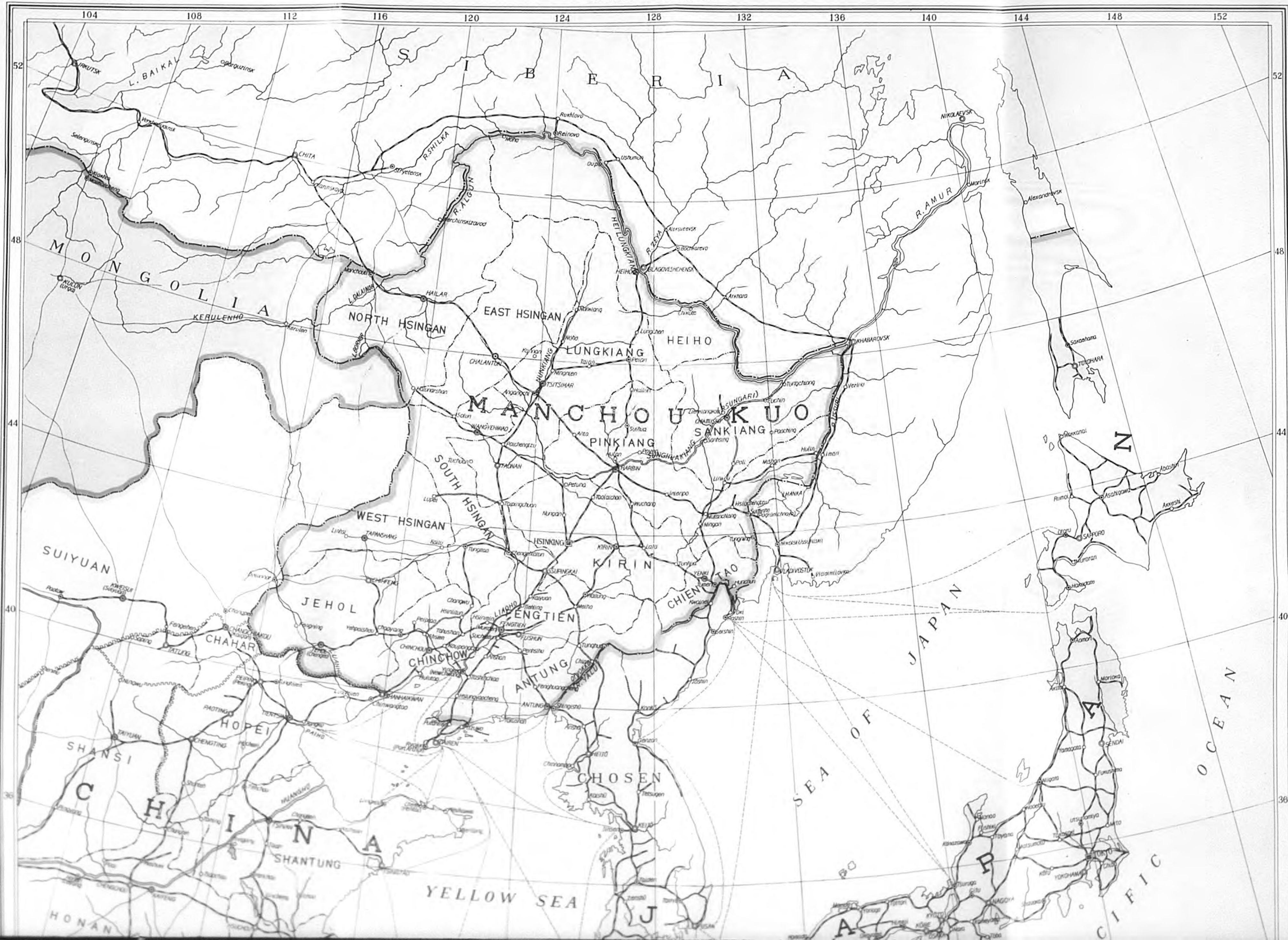
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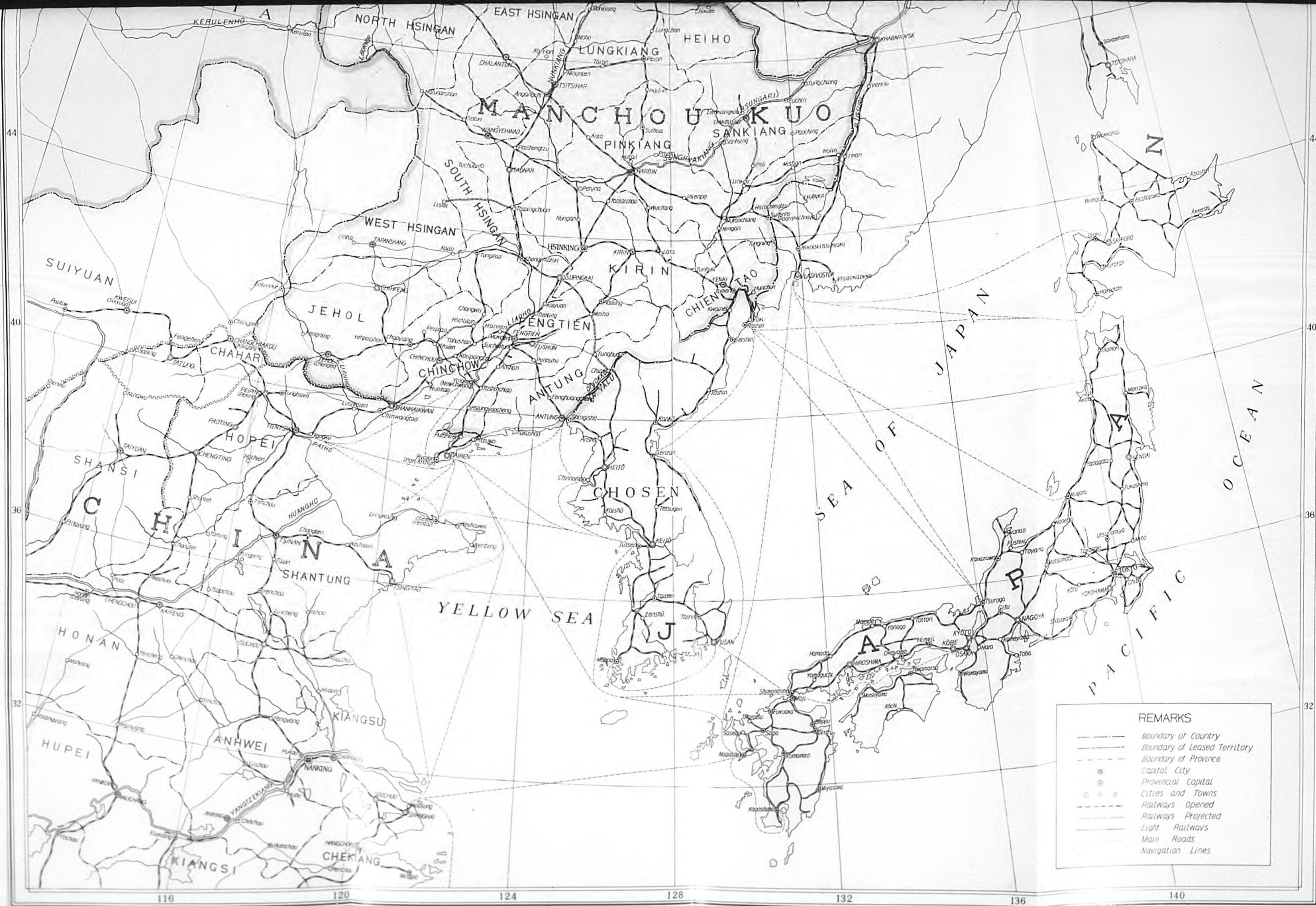


# MAP OF MANCHOUKUO

SCALE 1-6,300,000



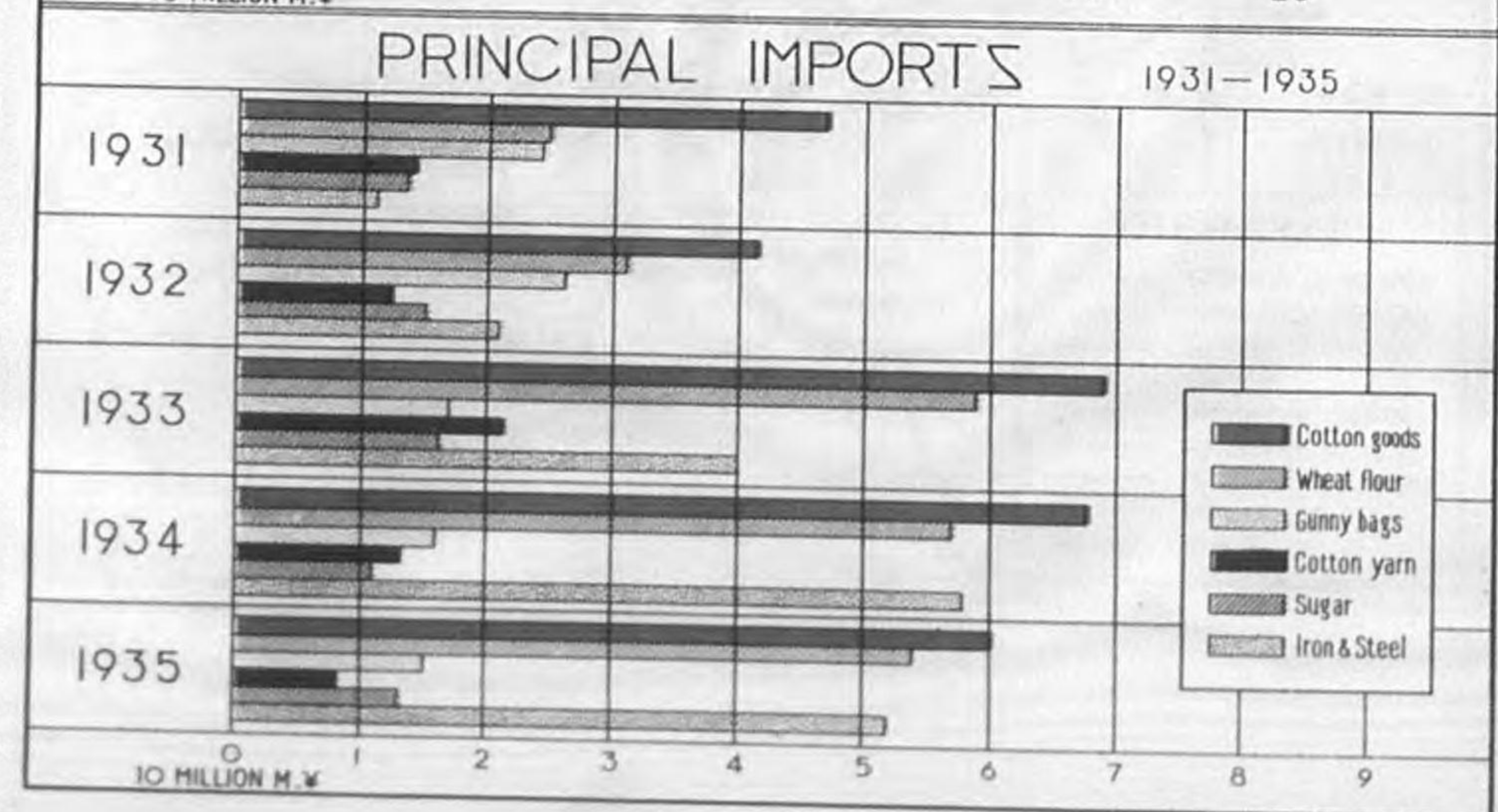
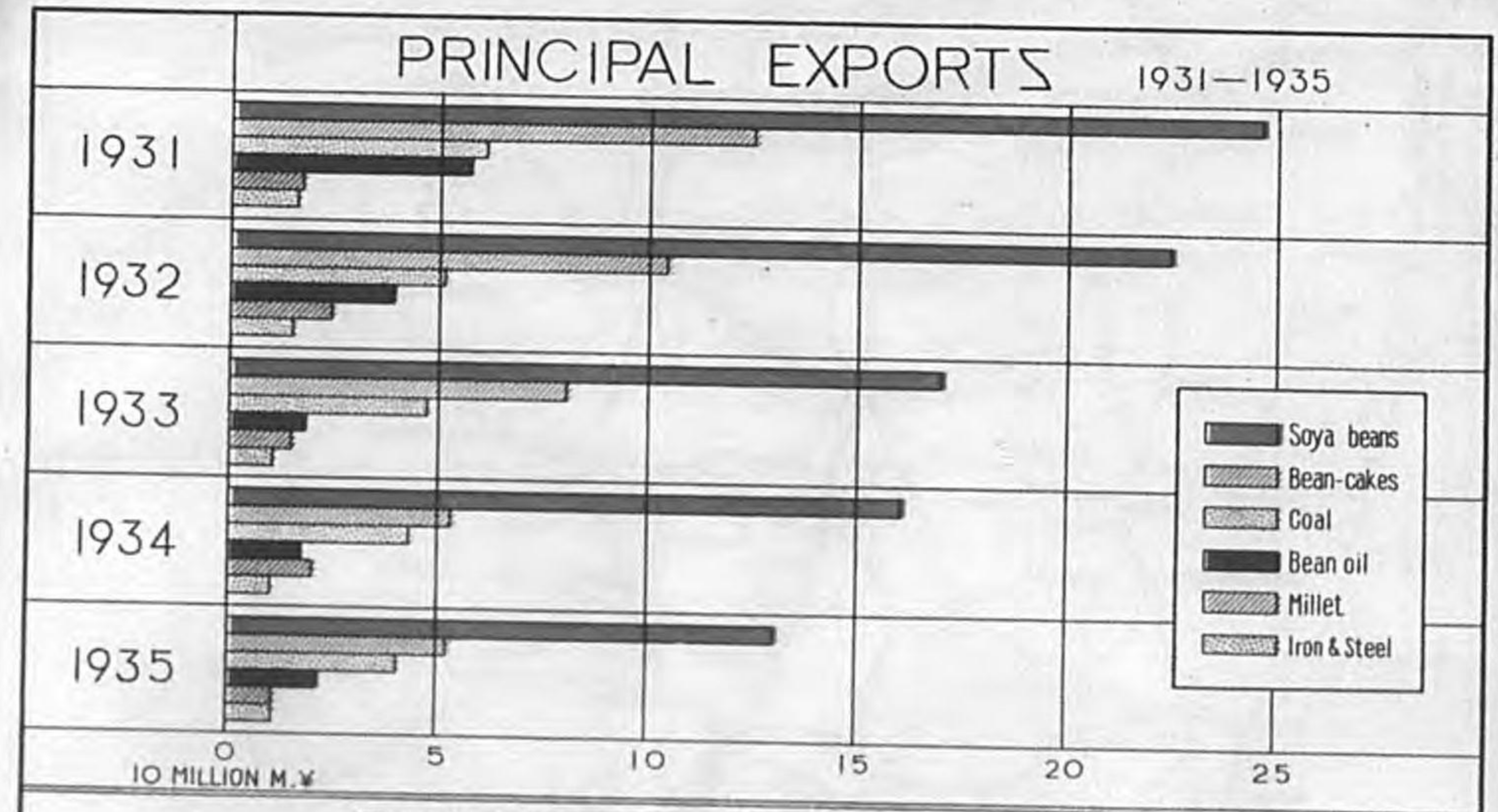
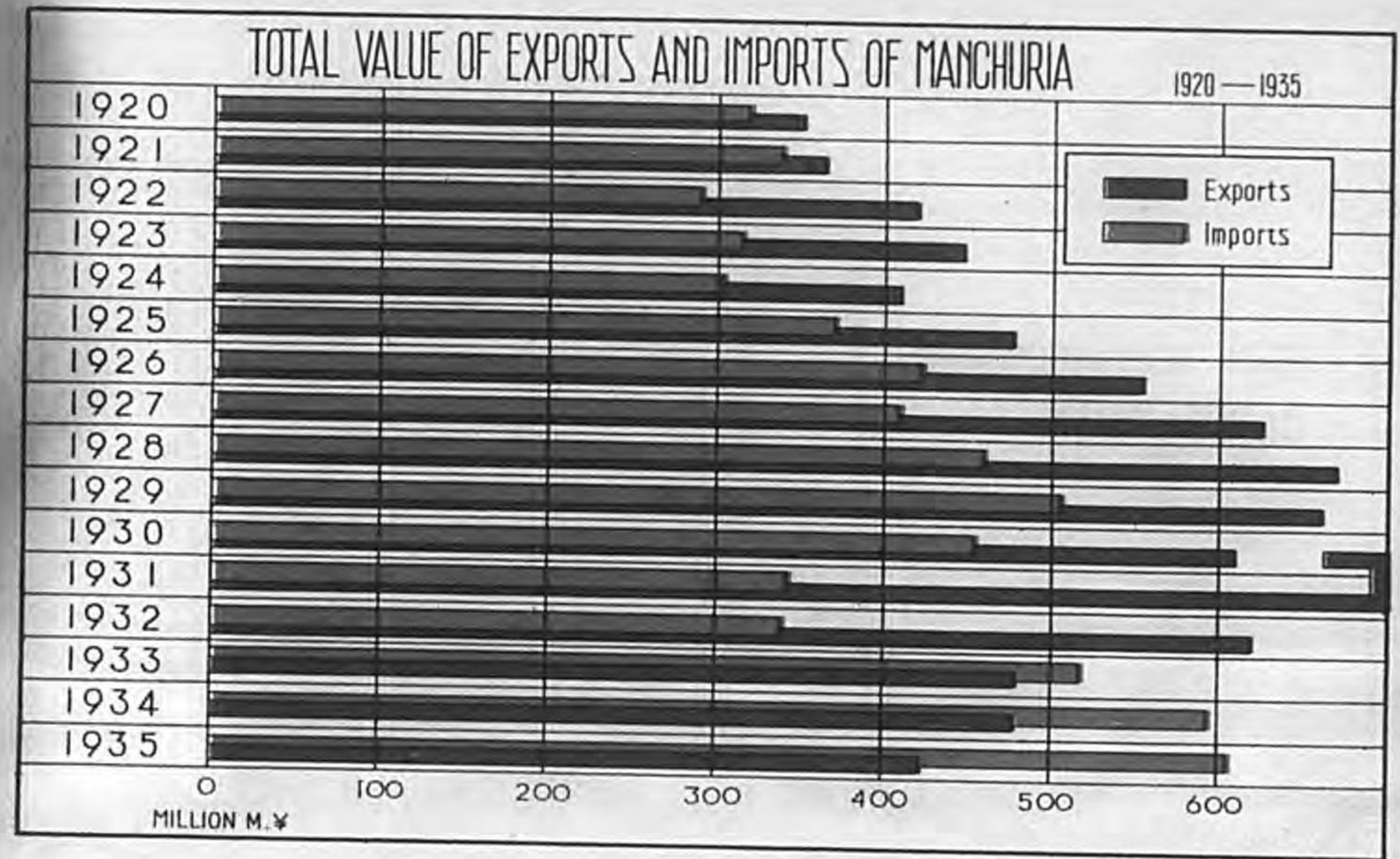




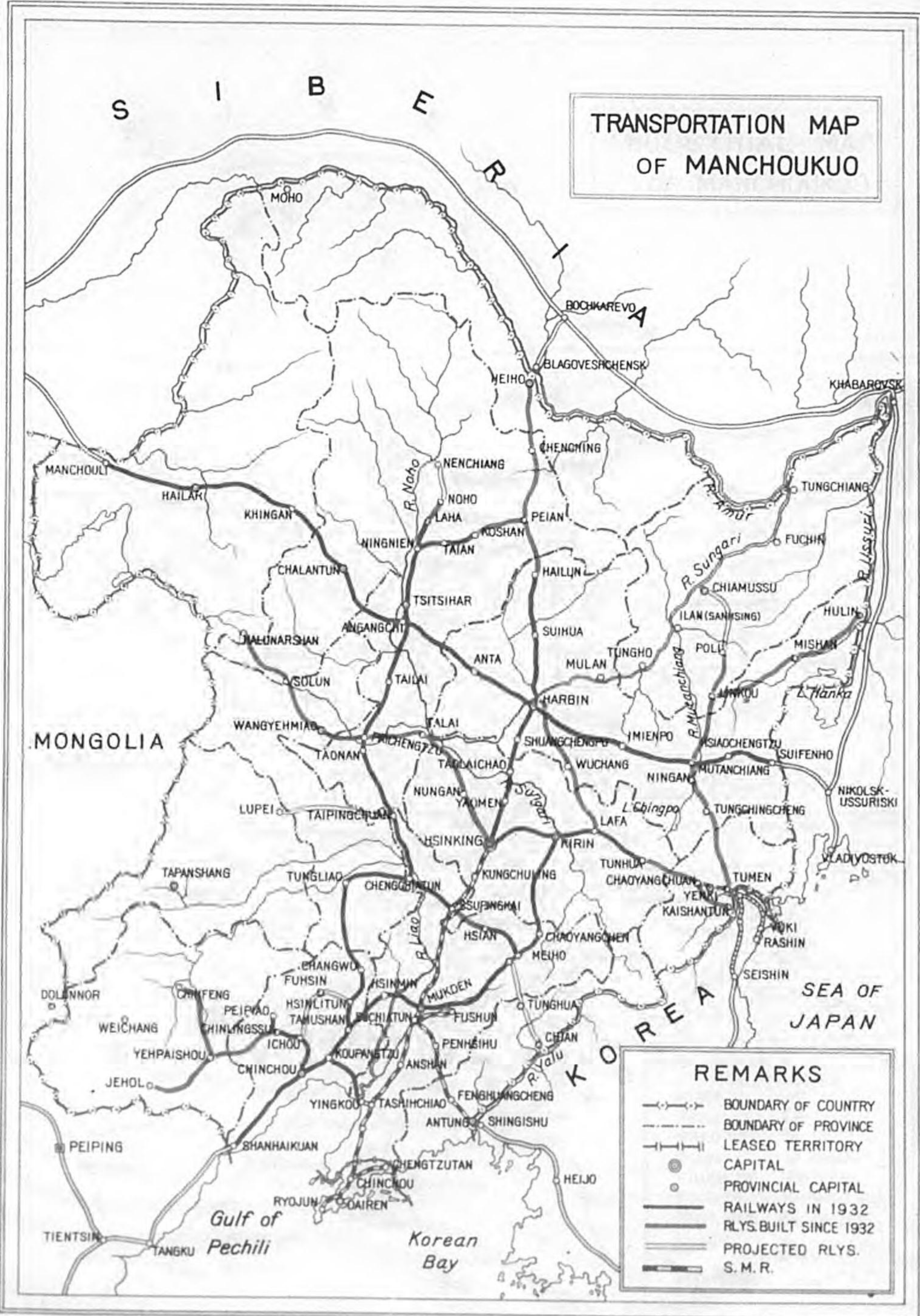
**REMARKS**

- Boundary of Country
- - - Boundary of Leased Territory
- · - · - Boundary of Province
- ⊠ Capital City
- ⊙ Provincial Capital
- Cities and Towns
- Railways Opened
- · - · - Railways Projected
- · - · - Light Railways
- Main Roads
- · - · - Navigation Lines



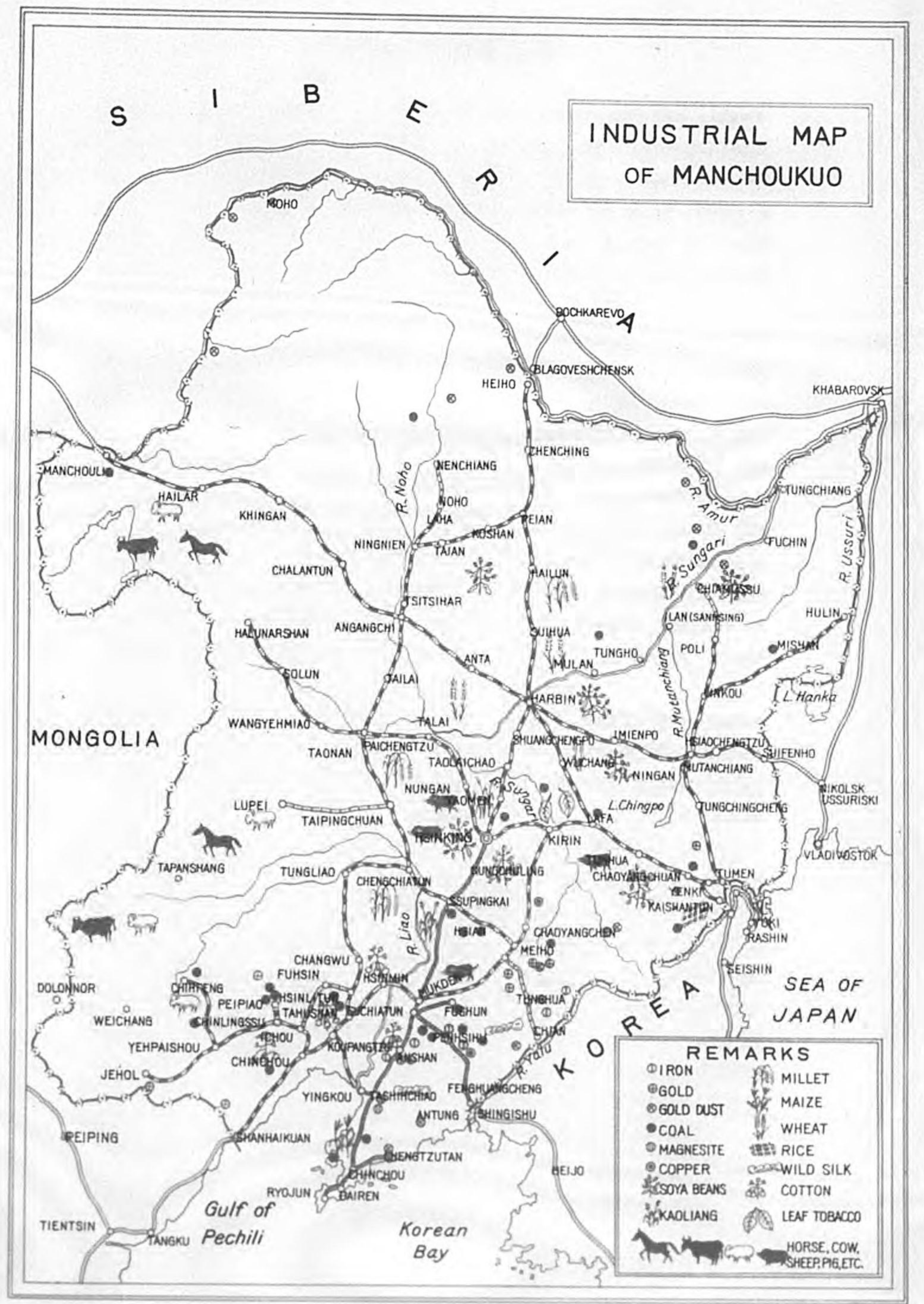








TRANSFORMED MAP  
OF MANCHOUKUO





## FOREWORDS

The Fifth Report roughly covers two years since the appearance of the Fourth Report, namely, from June, 1934, through June, 1936. In some instances the developments were traced back to 1932 for the sake of giving connected stories, while in many others a larger portion of the former Reports had been omitted to avoid unnecessary repetitions and references were made to them instead wherever such appeared to be helpful.

Although the general format of the four previous Reports had been preserved, a few changes were introduced in the present Report. In its general content, a special emphasis was placed upon the economic and financial developments which characterized the period under review and only a general survey was made of the political affairs in so far as they give the necessary background. Cross references were introduced within the Report to clarify the inter-relation of various developments. To avoid an over-abundance of statistical materials in the Report proper, two Appendices were added to the Documentary Material for the exclusive purpose of bringing together statistical materials which, it is hoped, would prove to be convenient and useful as references.

The statistical materials used in the present Report were derived principally from the data prepared by the various branches of the South Manchuria Railway Company, the Statistics Bureau of the Manchoukuo Government, the Kwantung Bureau, and organizations or institutions directly concerned. Excepting the statistics relating to the Kwantung Leased Territory and the S. M. R. Zone as well as the activities of the South Manchuria Railway Company, much of the statistical materials are still estimates and an extensive revision of statistics heretofore accepted as authentic is now progressing under the able direction of the Statistics Bureau of the Manchoukuo Government. This explains occasional differences inevitably arising between the figures given in the previous Reports and the revised figures used in the present Report. Unless they are obviously clear, therefore, the sources of information are generally indicated.

The former compiler had retired after the publication of the Fourth Report and the undersigned compiler assumes the full responsibility for the present Report.

ROY H. AKAGI.

Tokyo, July 1, 1936.



# FOREWORDS

The Fifth Report roughly covers two years since the appearance of the Fourth Report, namely, from June 1931 through June 1933. In some instances the developments were traced back to 1931 for the sake of giving connected stories, while in many other larger portions of the former Report had been revised to avoid unnecessary repetition and references were made to them instead of repeating what has already appeared to be helpful.

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The former compiler had retired after the publication of the Fourth Report and the undersigned accepted the full responsibility for the present Report.

ROY H. ARAM

Typeset July 1, 1936.

# I POLITICAL DEVELOPMENT

## 1 Political Readjustment in Manchoukuo

The emergence of Manchoukuo and the declaration of her independence from China ushered in a new era in Manchuria and the Far East. In the midst of skeptical but scrutinizing international observance, the new State undertook a gigantic task of national reconstruction and its achievements during the first four years of statehood have been nothing short of a marvel. In many respects, it has successfully carried out reforms which were believed to be practically impossible under the former military regime. And the epochal progress widens its horizon and deepens its penetration as time goes on.

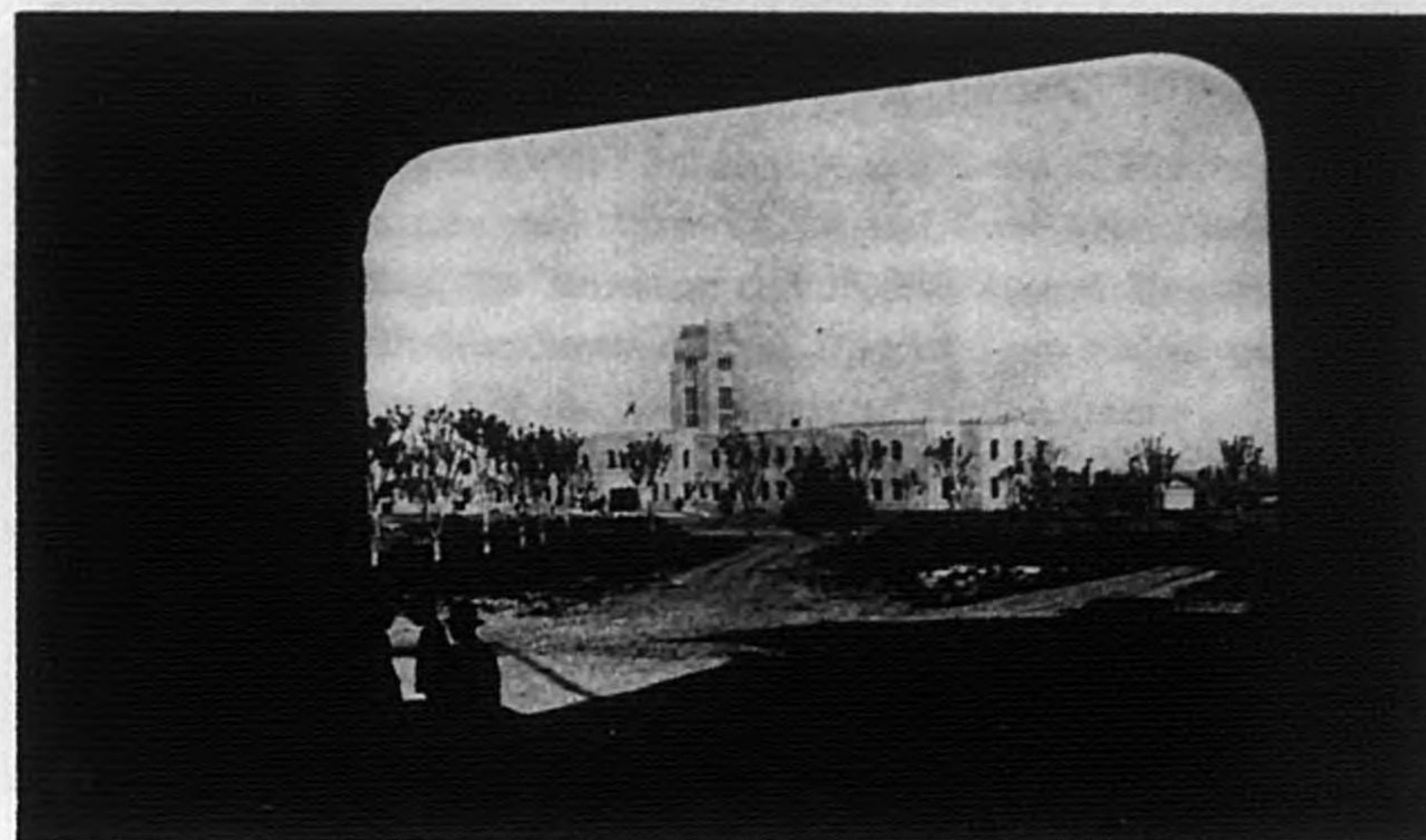
The backbone of this marvellous achievement is without doubt the successful execution of political reconstruction, the building of a modern State on the ruins of feudalistic war-lordism. Most significant in this sense was the official transition from Manchoukuo to Manchoutikuo. This epochal transition was made on March 1, 1934, when Chief Executive Pu Yi was enthroned as Emperor Kangte. Under the new Organic Law of the Manchou Empire, the State is completely centralized in the throne. The Emperor represents the State; supervises the sovereign rights and exercises them in accordance with the Organic Law; issues or causes to be issued ordinances for the maintenance of public peace and order and for the execution of laws; possesses the power to declare war, to make peace, and to conclude treaties; enjoys the supreme command of the army, navy, and air forces; and has the power to grant amnesty, special pardon, commutation of punishments, and restoration of civil rights. The Privy Council advises the Emperor on His various functions, while the legislative, judicial, administrative, and supervisory authorities execute their respective functions under His general supervision. The people are guaranteed the freedom and rights of their life and property, which guarantees were completely lacking before the establishment of Manchoukuo. The basic philosophy of the new State is the "Wangtao" or the "Way of Benevolent Ruler". (For the text of the Organic Law, see Fourth Report, Appendix No. 18.)

The progress of centralization was further perfected by either abolishing or reforming all vestiges of the former regime and by incorporating new constitutional principles. Most noteworthy in



this respect is the introduction of the State Council, the Legislative Council, the Courts of Justice, and the Supervisory Council as the chief organs of the central administration. This system of four independent branches of administration is peculiar to Manchoukuo as the administrative organization in most modern States is that of three independent branches, namely, the executive, the legislative and the judiciary, while that in China is the separation of five authorities, namely, the executive, the legislative, the judiciary, the supervisory, and the examinational. The Prime Minister heads the State Council and controls the Ministers of nine Departments, namely, Civil Affairs, Foreign Affairs, Mongolian Affairs, Defence, Finance, Industry, Communication, Justice, and Education. From the very first day of the establishment of the New State, Hon. Cheng Hsiao-hsu, a venerable statesman and a talented man of letters, served as the Prime Minister and, after three years of most sacrificial pioneer service, retired from the public life in May, 1935. He was succeeded in that responsible office by General Chang Ching-hui, the former Minister of Defence. Other Ministers are Lu Jung-huan, Civil Affairs; Chang Yen-ching, Foreign Affairs; General Yu Chi-sha, Defence; Sun Chih-chang, Finance; Ting Chien-hsin, Industry; Li Shao-keng, Communications; Feng Han-ching, Justice; Yuan Chen-tse, Education; and Chi-mo-te-se-mu-pi-lo, Mongolian Affairs. The Minister of the Imperial Household is Hsi Chia and the President of the Privy Council is Tsang Shih-yi.

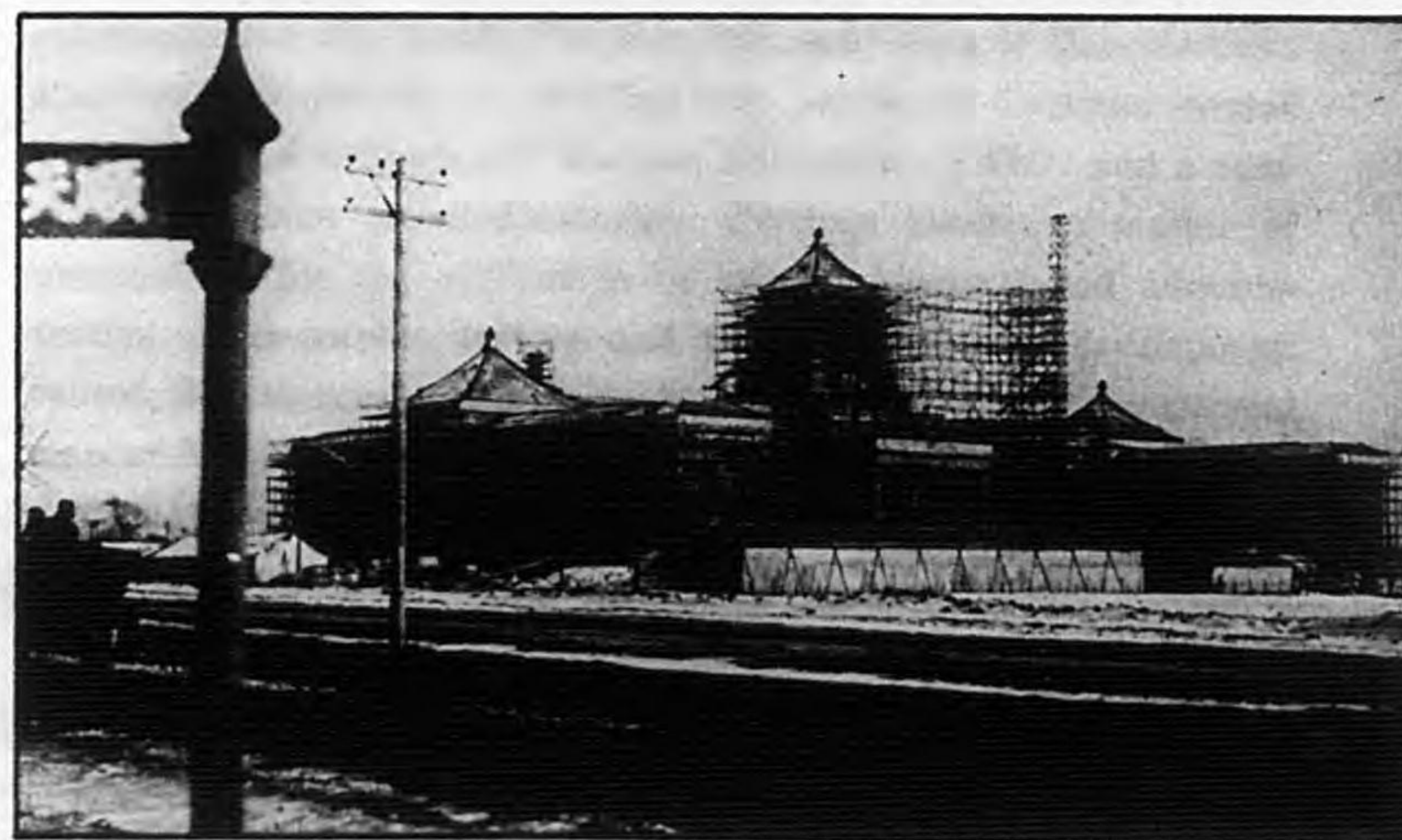
In line with the same spirit of reform, the reorganization of local administration was effected on December 1, 1934, when the former "Four North-Eastern Provinces" were replaced by fourteen *Sheng* or Provinces (For details, see below Section 2). Under the new system, the *Sheng* became a mere administrative organ of the Central Government, while the division of administrative functions between the central and local authorities were clearly demarcated. Thus, the Governor remains under the charge and supervision of the Prime Minister and the Departmental Ministers. He is empowered to enforce all laws and to fulfill all instructions within his *Sheng* and he superintends all affairs of administrative character. On the other hand, unlike the practices in force under the former regime, moreover, the collection of taxes, the stationing of troops, and the compilation of budgets are done under the direction of the Central Government. The realization of this noteworthy change, not only helped to unify local administration, but also eliminated opportunities for fraudulent practices and divisional dissensions which characterized the local administration be-



The Capital Construction Bureau, Hsinking



New Hsinking: The Department of Finance



New Hsinking: The State Council Building under Construction



fore 1932. A Sheng is further subdivided into *Hsien* or Prefectures and a Hsien into *Chu* and *Tsun* as the last local administrative organs. In addition, the Hsinking and Harbin Special Municipalities and the North Manchuria Special District were placed under the direct jurisdiction of the Department of Civil Affairs.

Another significant change brought about in the local administration in December, 1934, is the establishment of the Department of Mongolian Affairs and the incorporation of the administration of the newly created four Hsingan Provinces under its jurisdiction. In the organization of the various local administrative organs, the Mongolian tradition was followed and preserved to a large extent. Thus the administrative units of the Hsingan Provinces are *Chi* or Banners. A Chi is a legal body under the supervision of the State and handles all public affairs with the sanctions of the Department of Mongolian Affairs. It has an autonomous assembly to determine the budget and other important matters.

And thus, for the first time in its history, Manchuria came to enjoy the real benefit of statehood with its administrative organs in the modern sense of the term. The basic structure thus completed only awaits further perfection and substantiation for the consummation of a system of smooth and coordinated execution of administrative affairs.

## 2 Reorganization of Administrative Divisions

An efficient administration of Manchoukuo required efficient organization of local administration. For such a purpose, the administrative divisions which existed in Manchuria under the former militarist regime were too vast and unscientific, and the need of reorganization was keenly felt from the early days of Manchoukuo's statehood. Moreover, the existing four provincial divisions carried with them the memories of the past misrule too vividly and a complete renovation of administrative divisions became a matter of prerequisite for the realization of new and enlightened administration. Geographic factors and the trend of new development caused the emergence of new centers and also changed the general map of Manchoukuo decidedly since 1932.

The new administrative demarcation of the realm was undertaken with such a background. The work was actually instituted with the appointment of the Local Administration Research Commission in February, 1934. In launching this important work, the Commission was guided by four fundamental principles: (1)



to take into consideration the present and future transportation and communication facilities; (2) to take into consideration the correlation of chief centers within the province, especially from the viewpoint of communication and economic necessity; (3) to bring about a perfect coordination between the size of the province and its functional activities; and (4) to guarantee a maximum of freedom and convenience in the relations between the organs of local administration. After a careful study, the new administrative division thus undertaken was announced on October 11 and November 28, 1934.

The new administrative divisions thus created, with their respective areas and population, are as follows:

#### NEW PROVINCES IN MANCHOUKHO

Province	Area Sq. Km.	Population
Kern	82,310	4,787,477
Longkiang	125,587	2,175,084
Heilin	108,813	52,778
Sankiang	107,545	112,382
Pinkiang	143,425	4,208,457
Chientsu	21,325	582,582
Antung	48,228	2,782,342
Fengtien	85,548	2,510,031
Chinchow	33,482	1,277,088
Total	94,585	2,811,157
Hsinning Special Municipality	110	145,342
Harbin Special Municipality	930	482,465
North Manchuria Special District	1,047	218,779
West Hsingan	80,411	402,158
South Hsingan	78,022	582,355
East Hsingan	106,770	57,041
North Hsingan	160,396	43,086
Total	1,304,292	12,362,054

### 3 Reorganization of Japanese Jurisdiction

Up to 1931, the Japanese jurisdiction in Manchuria presented a quadruple front, the Kwantung Government in the Leased Territory, the South Manchuria Railway Company in the Railway Zone, the Consulates in various consular districts, and the Kwantung Army. Although each one of these organs had its own special mission the desire for a unified administration was growing everywhere. The outbreak of the Manchurian Incident and the subsequent establishment of Manchoukuo helped to materialize this desire and a sweeping change was effected in 1932. The new system unified the administrative diversity by entrusting three offices in

one person and subordinating the fourth. On August 8, 1932, Field Marshal Nobuyoshi Muto became the Commander of the Kwantung Army, the Governor of the Kwantung Leased Territory, and the Ambassador to Manchoukuo. Upon Field Marshal Muto's death, General Takashi Hishikari succeeded him on July 28, 1933.

Such a change from the four-headed front to the three-in-one jurisdiction was an improvement but various difficulties were still felt both in Manchuria and in Tokyo. This was largely due to the fact that the shift was made only on the Manchurian front and no changes were effected at the sources of control in Tokyo. This state of affairs stimulated the reorganization movement, various plans were suggested, and careful study was instituted. As a result, the two-in-one system now in force was evolved and put into force on December 26, 1934.

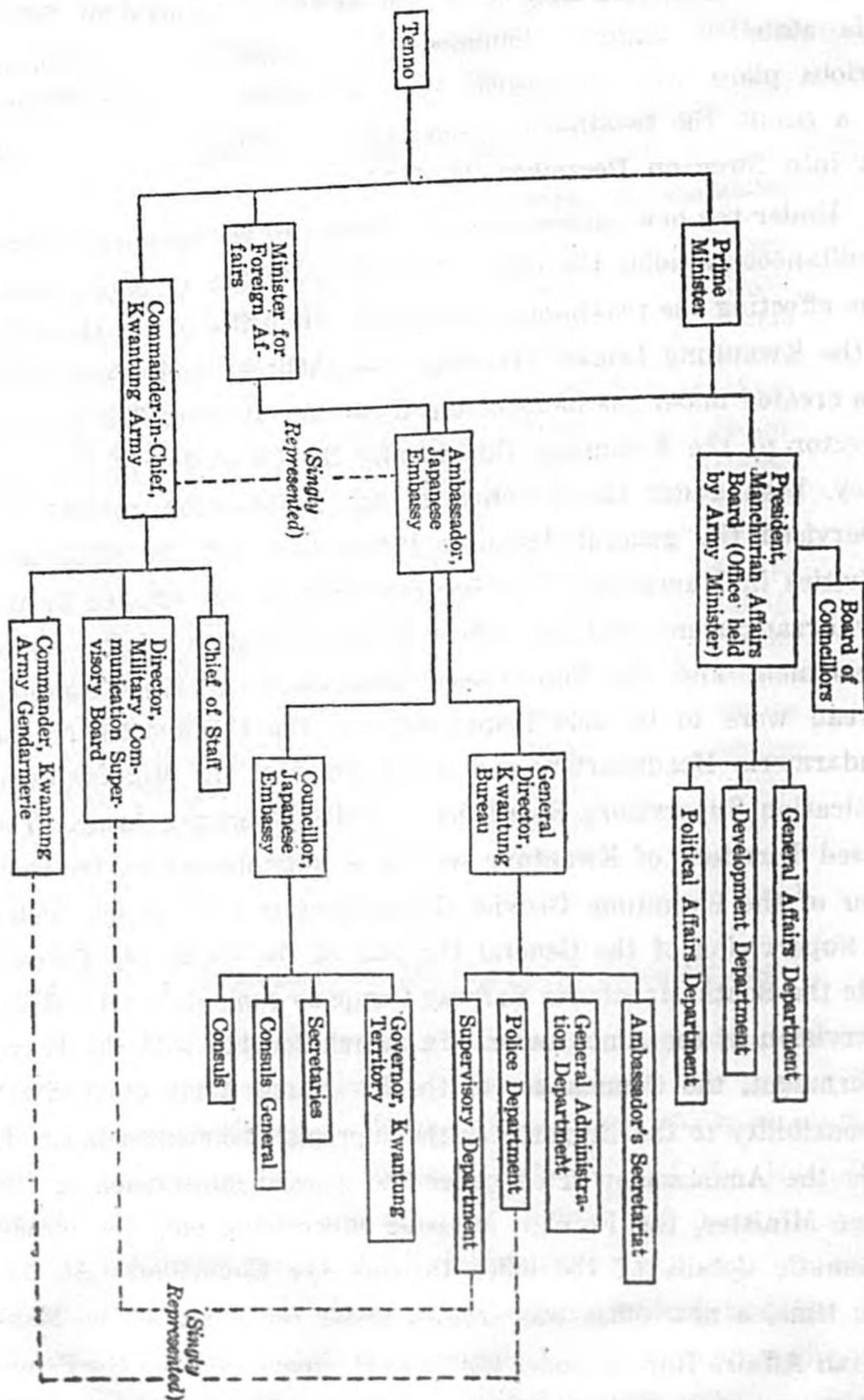
Under the new system, the Commander of the Kwantung Army simultaneously holds the office of the Ambassador to Manchoukuo, thus effecting the two-in-one unification. The office of the Governor of the Kwantung Leased Territory was abolished and a new office was created under the name of the Kwantung Bureau. The General Director of the Kwantung Bureau and the Councillor of the Embassy, both under the direction of the Ambassador, respectively supervised the general Japanese jurisdiction and the diplomatic activities in Manchuria. Further coordination was effected by the new arrangement that the offices of the Directors of the Police Department and the Supervisory Department of the Kwantung Bureau were to be held respectively by the Commander of the Gendarmerie Headquarters and the Director of the Military Communication Supervisory Board, both of the Kwantung Army. The Leased Territory of Kwantung was to be administered by the Governor of the Kwantung District Government at Port Arthur under the supervision of the General Director of the Kwantung Bureau, while the South Manchuria Railway Company came under the direct supervision of the Ambassador. In its relationship with the Tokyo Government, the Commander of the Kwantung Army owed direct responsibility to the Emperor as the supreme Commander-in-Chief, while the Ambassador acted under the general supervision of the Prime Minister, the Foreign Minister supervising only the purely diplomatic details of the office through the Councillor. At the same time, a new office was created under the name of the Manchurian Affairs Bureau under the Cabinet supervision and the Prime Minister supervised the activities of the Ambassador through this office. Moreover, the Army Minister simultaneously held the office



of the President of the Manchurian Affairs Bureau, thus effecting the coordination between the civil and military administrations. Under this new system, General Jiro Minami became the first Ambassador and the Commander-in-Chief of the Kwantung Army. He was succeeded by General Kenkichi Uyeda in April, 1936.

The following chart shows the reorganized Japanese administration in Manchuria:

JAPANESE JURISDICTION IN MANCHURIA



#### 4 Contemplated Relinquishment of Extraterritoriality

Japan, with other Western Powers, enjoys the privileges of extraterritoriality in China. In the light of her own experiences in the past, Japan more than once expressed her willingness to relinquish her extraterritorial privileges in China provided the latter is able to enforce justice in a strictly modern sense, but the conditions prevalent in China have not warranted such a procedure to date. The emergence of Manchoukuo brought about a complete change in this connection so far as the former Four North-Eastern Provinces are concerned, and, by 1934, a desire for the eventual abolition of extraterritoriality in Manchoukuo began to be seriously considered both by Hsinking and Tokyo.

With a steady and brilliant progress as an independent State and a gradual assurance of peace and order within her borders, Manchoukuo began to feel the anomalous pressure and burden of extraterritoriality. Manchoukuo can not arrest and prosecute Japanese subjects in her own courts; she can not enforce general police regulations upon Japanese subjects; she can neither levy taxes upon Japanese subjects nor supervise Japanese enterprises of all kinds. The result was an unfair status which the Manchoukuo subjects occupied in their own land in comparison with the Japanese subjects. All the more an urge for the eventual abolition of extraterritoriality in Manchoukuo became pronounced. At the same time, however, the young State early realized the as yet imperfect and often primitive status of its various administrative and judicial organs and began to prepare with added earnestness for their modernization. Thus the State had appropriated over 8,000,000 yuan for the fiscal year 1934, in addition to the ordinary requirement due to the general progress and development, for the sole purpose of instituting improvements which will expedite the abolition of extraterritoriality and began to push its program most vigorously in this direction. As a result of such a studied effort, Manchoukuo had made a phenomenal progress in all branches of national reforms. Some of the outstanding accomplishments may be summarized as follows:

1. *Industrial Rights.* For the purpose of coordinating the economic needs of Japan and Manchoukuo and safeguarding the productive activities of Japanese subjects in Manchoukuo, laws and regulations governing production have been issued and enforced, or are being contemplated. Among them may be mentioned Trade Mark Law, Patent and Invention Law, and fifteen others



relating to industrial rights of possession; Mining Law and eight others relating to mining rights; six laws relating to markets; three laws concerning stock-farming; Currency Law, Banking Law, Foreign Exchange Control Law, Rural Credit Association Law, and fifteen others relating to currency and credit.

2. *Taxation System.* As noted elsewhere (See below, Section 11), the reforms in the taxation system are progressing smoothly and the corrupt feudal system is rapidly giving its way to a completely unified and trustworthy modern system.

3. *Police System.* In the maintenance of law and order and the preservation of the rights of life and property, Manchoukuo took steps, first of all, to unify the variegated and decentralized police systems existing under the former regime, to enforce national police laws and regulations, and to perfect police forces. The project of unification was effected through the complete centralization of the country's police administration and the organization of special police forces such as railway and forest guards. The task of formulating and proclaiming laws and regulations was also completed by the promulgation of three Imperial Ordinances and the proclamation and enforcement of eight Regulations governing the functions of the new police system. Other regulations are now in preparation. The perfection of police forces was accelerated by the initiation of the police training system, both central and local, the adoption of a system under which several scores of police officials are trained in Japan, and the employment of trained Japanese police officials (See below, Section 5).

4. *Judicial System.* The reforms in the Manchoukuo judicial system is following three basic lines: (1) reorganization of judicial organs, (2) codification and promulgation of various codes, and (3) improvement and perfection of the judicial personnel. The first task resulted in the promulgation of an Organic Law on January 4, 1936, and extensive reforms are now progressing. These reforms include the reforms in prisons and prison administration also. For the materialization of the second project, the Government has appointed in 1933 a special committee of experts in the Department of Justice, whose members in separate groups have been engaged in the drafting of civil, criminal, commercial, and civil procedure codes as well as relating regulations. As a result, several laws have been already promulgated. These includes the Provisional Business Registration Law, the Auction Law, the Notary Public Law, the Barrister Law, the Commercial Registration Law, the Law on Foreign Juridical Persons, the Civil Procedure Cost

Law, the Criminal Procedure Cost Law, and the Law on Non-Contentious Cases. To date, however, most energetic effort had been exerted in bettering the personnel of the judicial administration and benches. Thus, up to the end of 1935, nearly 60 able Japanese judicial officials have been employed by the Department of Justice, over 50 Japanese judicial official have been assigned to the Supreme, Higher, and District Courts in the principal cities where Japanese and other foreign nationals are residing in large numbers, and 99 Japanese officials have been assigned to the prison administration. For the training of competent Manchou judicial officials a law college under the supervision of the Department of Justice had been established, while many Manchou officials have been sent to Japan for advanced legal training.

5. *Postal Administration.* The old system had been replaced by a completely modernized postal administration and the country has seen an amazing progress in matters relating to mail, postal money orders, postal savings, postal money transfers, and postal pension (See below, Section 27), The Japan-Manchoukuo Postal Agreement which went into force on January 26, 1936, is a happy prelude to the elevation of Manchoukuo's postal administration to the level of that in Japan.

With these phenomenal accomplishments already made or being contemplated, the Government of Manchoukuo began to negotiate with Japan for an eventual abolition of extraterritoriality in Manchoukuo and to prepare for such an eventuality. The Government ordered, in December, 1934, the Provincial Governors to gather materials for the abolition of extraterritoriality. A special committee had been appointed in February, 1935, and began to make serious preparations.

With such a background, the Japanese Government began to give more serious attention to the question by 1934, and a Preparatory Committee for the Relinquishment of Extraterritoriality in Manchoukuo held its first meeting on February 13, 1935. A similar Committee was also appointed at Hsinking and began to make a thorough study of the question on the spot. As a result of these efforts, the Tokyo Committee, at its third meeting on March 18, reached a complete agreement for relinquishing Japan's extraterritorial rights in Manchoukuo by 1938. The Hsinking Committee, at its second meeting on April 16, also formulated general principles for the relinquishment of various administrative and extraterritorial rights in the S. M. R. Zone. The first definite result of studies and deliberations thus made and those which followed



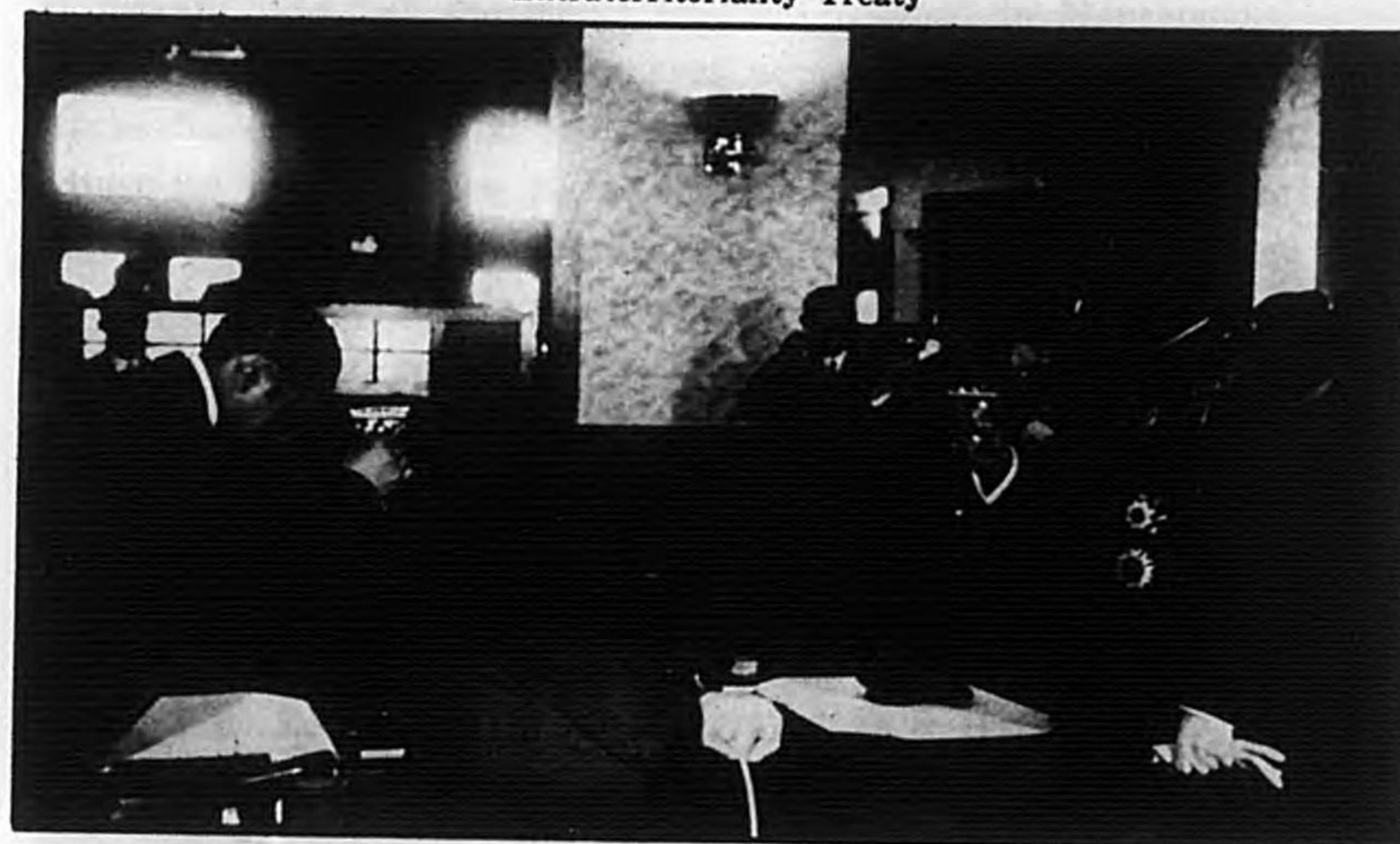
was the Cabinet's approval of the fundamental policy on August 9. The Foreign Office accordingly announced on the same day that the Japanese Government has decided (1) to relinquish Japan's extraterritorial rights in Manchoukuo in gradual stages and (2) to adjust and eventually transfer her administrative rights in the S. M. R. Zone (See below, Appendix III, No. 10). It announced also that Japan first of all will transfer the taxation right and abolish various taxes levied by the South Manchuria Railway Company in the S. M. R. Zone, but that it will effect the transfer in such a way so as to avoid sudden and violent changes in the life of Japanese communities in Manchoukuo and will adjust and transfer administrative rights gradually. It added that Japan is ready to transfer the taxation right to Manchoukuo by October, but that the process may be postponed until 1936 if the appropriational arrangement can not be completed on the part of the Manchoukuo Government.

Meanwhile, negotiations were progressing between Japanese and Manchoukuo authorities and the general policy in regard to the application to Japanese subjects in the S. M. R. Zone of the Manchoukuo regulations concerning industries was announced on August 16. The general policy thus agreed upon embraced the following points: (1) enforcement on and after January 1, 1936, of industrial regulations promulgated by Manchoukuo with the exception of special regulations; (2) continuation of those industrial regulations now enforced by the Kwantung Bureau but not yet enacted by the Manchoukuo Government until the promulgation of new regulations to replace them; (3) formulation of provisional measures with respect to the continued use of the Bank of Chosen currency now circulating in the S. M. R. Zone; (4) promulgation of a new exchange law, an insurance law, and other related regulations before the total abolition of extraterritoriality; (5) promulgation of regulations governing foreign corporations; and (6) temporary adoption by the Japanese authorities of Manchoukuo penal regulations pending the complete withdrawal of extraterritoriality. Of the projected measures above announced, a perfect agreement was reached before the end of the year with regard to the important question of currency and the yen-yuan exchange as noted elsewhere (See below, Section 10).

In accordance with these pronouncements both Japanese and Manchoukuo authorities as well as the South Manchuria Railway Company vigorously pushed preparations and the negotiations continued between Tokyo and Hsinking. Various difficulties presented



Ambassador General Uyeda and Foreign Minister Chang Signing the Extraterritoriality Treaty



Concluding the Ceremony for Signing the Extraterritoriality Treaty



Foreign Minister Chang Yen-ching Broadcasting after the Signing of the Extraterritoriality Treaty



themselves one after another in the actual arrangement of such a historic nature, and the year ended without seeing the final agreement. However, a decided progress had been made during the six months which followed that a tentative agreement had been reached by the end of February, 1936, and the Japan-Manchoukuo Extraterritoriality Treaty was signed at Hsinking on June 10, 1936, by General Kenkichi Uyeda, the Japanese Ambassador to Manchoukuo, and Mr. Chan Yen-ching, the Manchoukuo Minister for Foreign Affairs.

By this Treaty, which went into force on July 1, 1936, the Manchoukuo Government granted to Japanese subjects the freedom "to reside and travel and engage in agriculture, commerce, and industry, and to pursue callings and professions, whether public or private" and "all the rights relating to land" in Manchoukuo. In return, the Japanese Government agreed to abolish in gradual stages its extraterritorial privileges and to partially transfer or adjust its administrative rights in the S. M. R. Zone. As a first step in this direction, the Japanese Government recognized, subject to stipulations specified in the Supplementary Agreement, the Manchoukou laws and regulations relating to taxation and industries. The Supplementary Agreement was drawn up to prevent sudden and violent changes in the economic life of Japanese subjects in Manchoukuo on account of the partial abolition of extraterritoriality. A most notable stipulation is the proposed abolition of the Japanese administrative police throughout Manchoukuo, including the S. M. R. Zone, by the end of 1937. (For the texts of the Treaty and the Supplementary Agreement, see Appendix III, No. 13.)

## 5 Peace and Order

### (1) *Progress in Bandit Pacification.*

One of the eternal ills of China seems to be the powerlessness of the authorities, both national and local, against the forces of organized banditry. Manchuria was no exception to that state of affairs and Manchoukuo had inherited the delicate task of bandit subjugation.

The "bandit" hordes in Manchuria are unique and may be roughly divided into five categories: (1) so-called "political bandits" formerly under command of notorious political leaders, such as Ma Chan-shan, Ting Chao, and Su Ping-wen; (2) "professional bandits" who are the traditional outlaws of Manchuria; (3) "civil-



ian bandits" who had been forced to take up banditry on account of economic necessity to get a livelihood; (4) "religious bandits" who ravage the interior districts from religious motives, especially in view of their affiliation with such native religious bodies as the Tataohui (Big Sword League) and Hungchianghui (Red Spear League); and (5) minor groups of farmers and workers in abject poverty. After the birth of Manchoukuo, the escaped Chinese soldiers and irregulars, in tune with the Nanking political propaganda, constituted the most troublesome disturbing element. In all some 200,000 "bandits" were reported to have been befesting various sections of Manchuria (See Fourth Report, Sections 30-32).

After the emergence of Manchoukuo, a new era dawned over Manchuria. The Government of Manchoukuo, at the same time introducing various organs and facilities for the maintenance of internal peace and order, instituted a determined campaign for the pacification of bandit hordes (See Fourth Report, Sections 33-34). As a result of strenuous efforts exerted by the national army and police forces and assisted by the Japanese troops, the work has been considerably accelerated and the number of outlaws became exceedingly small. It is reported that, as against some 200,000 bandit hordes in 1932, there are to-day about 20,000. This number continues to decrease with the progress of campaigns. It is most interesting to note that many notorious leaders of bandits and irregulars, repenting their atrocious activities and seeking the blessings of the "Rule of Wangtao", have surrendered themselves, together with their subordinates, one after another to the new regime and are now engaged in legitimate professions.

#### (2) Reforms in Police Administration.

Under the former regime the police system was completely decentralized, differing according to provinces and districts. There were also numerous special policing organs besides the general police, making the police administration further complicated. Moreover, corrupt administration was general and discretion rather than justice played an important role, while bribery and various illegal practices prevailed. The police recruiting and tax collection were often farmed out to the highest bidder as in the old Roman Empire. In some districts, the police and the troops were not clearly differentiated and the military interference in the police administration was quite common.

With the establishment of Manchoukuo, all of these prevalent evil practices were completely abolished through the unification of

police administration, the improvement of police personnel, the training of police officers, and the modernization of police system in general (See Fourth Report, Section 37). Under the new system, the Central Government completely controls the police administration and the organs of police administration are systematically organized from the Metropolitan Police Board and the Provincial Police Boards downward to the Special Police Corps and the Auxiliary Police Organs. For the purpose of educating police officials who shall effectively enforce such new deal in the Manchoukuo police administration, the Central Police Institute was established in Hsinking, while the Police Training Quarters attached to the Institute and also to District Police Boards and Hsien Offices train *chingshih* or guards. The revolution in the police administration thus introduced is rapidly progressing and a complete modernization of Manchoukuo police system is definitely assured and already bearing splendid fruits.

The following table shows the distribution of the Manchoukuo police force according to Provinces and the proportion of Manchurians and Japanese at the end of June, 1935:

POLICE FORCE IN TEN PROVINCES

Provinces	Manchurians	Japanese	Total
Kirin .....	8,763	101	8,864
Lungkiang .....	6,735	130	6,865
Heiho .....	456	36	492
Sankiang .....	3,496	71	3,567
Pinkiang .....	11,354	134	11,488
Chientao .....	2,376	51	2,427
Antung .....	7,410	96	7,506
Fengtien .....	18,883	168	19,051
Chinchow .....	6,344	78	6,422
Jehol .....	3,672	78	3,750
Total .....	69,489	943	70,432



## II FINANCIAL REHABILITATION

### 6 Reform in Manchoukuo's Fiscal Administration

Under the former military regime in Manchuria, a financial policy was virtually non-existent. As a matter of form, it had laws and regulations relating to the budget system, the tax collection, and the treasury system; as a matter of practical procedure, such laws and regulations were completely disregarded. The deficit and the requirement for more funds, mostly caused by the military activity, were made up by issuing inconvertible bank notes, by demanding compulsory loans from the banks, by increasing the tax rates and levying new taxes, or by demanding contributions from Provincial Governments. The foundation of the note-issuing banks was weak and the market value of paper notes constantly fluctuated, usually traveling the road of depreciation. Moreover, the risk was placed wholly upon the people with the result that the public credit was impaired and the economic progress was retarded.

Projected upon this background, one can even to-day read with a mingled feeling the total expenditure of the Four North-Eastern Provinces under Marshal Chang Hsueh-liang as shown in the budget for 1930. It amounted to 143,000,000 Mexican dollars, out of which 80 per cent. or 115,000,000 Mexican dollars were used for military purposes. While the Provincial Governments under military governors in turn kept their own respective provincial accounts or budgets, the Prefectures and Municipalities in each Province enjoyed fiscal autonomy and collected minor local taxes. At the same time, they entered into contracts with the Provincial Governor for collecting central or provincial taxes. Under such a fiscal administration, the arbitrary taxation and accompanying heavy taxes, the taking of commission or bribes, and the squeeze system in all of its glaring manners were universally practiced.

With the establishment of Manchoukuo, a complete readjustment of the fiscal administration was instituted and special efforts have been exerted toward the establishment of sound financing, the maintenance of confidence in the national currency, and the realization of industrial development on the strength of better domestic credit system. Thus the Government has taken steps to centralize the fiscal administration by depriving the Provincial authorities of their financial control, and to establish a single national budget system for both the Central and Provincial Governments to cover

all revenues and expenditures of the country, however recognizing certain autonomous accounts in the Prefectures and Special Municipalities, subject to the strict supervision of the central authorities. In pursuance of this policy the Government put the following fundamental measures into operation, whereby to establish a stable fiscal system as well as to relieve the people from their long-sufferings under the old regime:

- (1) Introduction of a national budget system.
- (2) Readjustment of the taxation system and the government monopoly system so as to reduce the burden to be borne by the people.
- (3) Readjustment of government and public enterprises and government and public properties.
- (4) Improvement of the tax collecting organs (Revenue Office) by abolishing the old contract system and putting an end to the "squeeze" system.
- (5) Reform in the currency chaos by establishing a central bank on a sound basis.

The readjustment of the national fiscal administration on such an extensive scale and in such a thorough manner naturally required time and the progress looked forward was to be slow. And yet all of those ideals have been translated into action during the past three short years and a rapid and sound development which has been made is nothing short of a marvel.

### 7 Progress in Manchoukuo's National Budget

The Manchoukuo Government has compiled its national budget five times to date since its foundation. These series of budgetary compilations reveal traces of administrative improvements and national consolidation, as well as signs of a rapid but sound development in national finance.

#### (1) *First Annual Budget, 1932-1933*

When the new Government came into existence on March 9, 1932, an annual budget could not be prepared immediately and the Government had to carry on provisionally with monthly estimates of expenditure and revenue. For the first five months of the new regime, the expenditures aggregated 19,327,893 yuan which were met by receipts turned over to the Manchoukuo Government by the finance offices of the former authorities, the salt gabelle, and the like. As the various administrative organs began to function properly, the Government was able to formulate the scope of government activity and to estimate revenue sources to meet the annual State expenses. As a result, the Government formally made public on October 1, 1932, its first national budget. The First Annual



Budget, covering the fiscal year from July 1, 1932, to June 31, 1933, estimated a total revenue of 101,017,000 yuan as against a total expenditure of 113,308,055 yuan. The deficit of 12,291,055 yuan was to be met by bond issues, that is, by using a part of the 30,000,000 yen loan floated in Japan on November 7, 1932, as "Manchoukuo Reconstruction Bonds." Later, a Supplementary Budget of 24,648,945 yuan was adopted for the flood rehabilitation and peace preservation works in North Manchuria, for the establishment and maintenance of the Opium Monopoly Bureau, and for the capital construction work at Hsinking. These additional expenditures were to be met by the remaining funds from the "Manchoukuo Reconstruction Bonds."

Apart from the General Budget, a Special Accounts Budget for the Capital Construction Bureau, the Road Construction Bureau, the Opium Monopoly Bureau, the Government Supply Fund, and the fund for readjusting foreign loans secured on customs revenue and salt revenue was established on March 22, 1933. These special accounts for the first fiscal year aggregated 41,631,701 yuan: 5,018,000 yuan for the capital construction, 1,500,000 yuan for the highway construction, 2,229,007 yuan for the Government supply, 13,475,057 yuan for the foreign loan adjustment, and 19,409,637 yuan for the Monopoly Bureau.

(2) *Second Annual Budget, 1933-1934*

The total estimated expenditure in the Second Annual Budget was 149,000,000 yuan, an increase of 11,000,000 yuan as compared with the figures for the first fiscal year. The revenue estimates have been augmented accordingly in anticipation of a larger return than previous years from customs duties, internal revenues, monopoly profits, especially as a result of progress made in the restoration of peace and order, the stabilization of currency, and the improvement in tax collection. Furthermore, the surplus carried forward from the first fiscal year has been included among the revenues for the second fiscal year. Adequate funds have been set aside for the redemption of old debts secured on the customs revenue and the salt gabelle, while a sinking fund has been established for the readjustment of national debts, a portion of the surplus carried forward from the first fiscal year having been used for this purpose. Moreover, the local budgets which up till then used to be compiled by each Provincial Government have been taken over by the Central Government.

The Supplementary Budgets have been drawn up during the

second fiscal year. The First Supplementary Budget to the General Budget, drawn up on January 12, 1934, amounted to 18,474,441 yuan for the peace preservation work, the industrial development, the preparation for the abolition of extraterritoriality, the sinking fund, and the emergency fund. The Second Supplementary Budget, amounting to 2,879,975 yuan, has been adopted in preparation for the enthronement ceremonies to be held on March 1, 1934. Moreover, the unusually large appropriations in the Special Accounts Budget are accounted for by the Government's need of funds to meet the payment of the Government-subscribed shares of the Central Bank of Manchou and other special corporations.

Manchoukuo's total estimated expenditure for the second fiscal year ending on June 31, 1934, including the special accounts and the two supplementary accounts, was 379,671,517 yuan.

(3) *Third Annual Budget, 1934-1935*

The Third Annual Budget, covering the first fiscal year of Kangle from July 1, 1934, to June 30, 1935, exclusive of the special accounts, amounted to 188,725,058 yuan, representing an increase of 39,555,880 yuan over that of the previous year without including the latter's three Supplementary Budgets. The Special Accounts Budget stipulated 136,434,133 yuan in revenues and 126,956,705 yuan for expenditures as compared with 106,945,834 yuan each for revenues and expenditures for the preceding year. The budget has been balanced without resorting to any loan floatation except for 5,000,000 yuan which has been borrowed for constructing national highways in accordance with plans previously adopted. The successful balancing was accomplished through an increase in estimated internal revenues and customs returns. From this year the estimated revenues outstripped the estimated expenditures by 9,477,428 yuan.

(4) *Fourth Annual Budget, 1935*

The Manchoukuo Government has decided to change the fiscal year, making it to correspond to the calendar year on and after January 1, 1936. This change was effected in consideration of various inconveniences involved in the old system. For one thing, the estimate of revenue, which fluctuates much in accordance with the crop of soya beans and other agricultural products, can hardly be made with any accuracy under the old system. Moreover, the months of June and July constitute the most active period in Manchuria's economic life and it is inconvenient to divide these months by a change in the fiscal year.



In accordance with this decision the Fourth Annual Budget or the budget for the second fiscal year of Kangte was drawn up to cover only the half-year period from July 1 to December 31, 1935. Thus the estimated total expenditure was 104,998,700 yuan against the estimated total revenue of same amount. The expenditures in the Special Accounts Budget totaled 97,991,292 yuan against 121,222,128 yuan of revenues. All told, the estimated revenues amounted to 3,235,826 yuan more than the estimated expenditures.

(5) Fifth Annual Budget, 1936

In compiling the Fifth Annual Budget, the Government closely followed the traditional policy of solidifying the basis of national finances and of avoiding as far as possible an undue increase of expenditures. Provisions were made as in the previous fiscal year for the necessary preparations required for the proposed abolition of extraterritoriality and the transfer or the adjustment of administrative rights in the S. M. R. Zone, the sum of 2,500,000 yuan being set aside for this purpose. The Government has set aside a sum of 10,222,685 yuan to meet its share of foreign loans secured in the Chinese Maritime Customs and salt gabelle, thus bringing the total of the "Adjustment Fund for Old Loans Secured in Customs Duties and Salt Gabelle" to 46,497,729 yuan. Moreover, 19,500,000 yuan has been appropriated for Manchoukuo's share of the defense expenditures incurred by the stationing of Japanese troops in Manchoukuo in accordance with the 1932 Protocol. The balance of estimated revenues over estimated expenditures was 57,865,772 yuan (For complete budget, see Appendix II, No. 2a).

(6) Summary View of Manchoukuo Budgets, 1932-1936

If we now summarize the five budgets in terms of appropriated expenditures and revenues and actual expenditures and revenues, we have the following two tables, showing a sound development of national financial administration:

COMPARISON OF GENERAL ACCOUNTS BUDGETS, 1932-1936  
(Unit: M.Y.)

A. Revenues			
Fiscal Year	Budgetary Estimates	Index Number (First Fiscal Year of Tatung-100)	Net Receipts
Pre-Budgetary Period (March 1-June 30, 1932) .....	—	—	22,197,864
First Fiscal Year of Tatung (July 1, 1932-June 30, 1933) .....	137,957,000	100	129,634,904
Second Fiscal Year of Tatung (July 1, 1933-June 30, 1934) .....	170,542,352	124	165,482,237
First Fiscal Year of Kangte (July 1, 1934-June 30, 1935) .....	188,725,058	137	187,241,541
Second Fiscal Year of Kangte (July 1, 1935-December 31, 1935) .....	104,998,700	152	—
Third Fiscal Year of Kangte (January 1, 1936-December 31, 1936) .....	219,405,000	159	—

Fiscal Year	Budgetary Estimates	Index Number (First Fiscal Year of Tatung-100)	Net Receipts
First Fiscal Year of Kangte (July 1, 1934-June 30, 1935) .....	188,725,058	137	214,899,465
Second Fiscal Year of Kangte (July 1, 1935-December 31, 1935) .....	104,998,700	152	—
Third Fiscal Year of Kangte (January 1, 1936-December 31, 1936) .....	219,405,000	159	—

B. Expenditures

Fiscal Year	Budgetary Estimates	Index Number (First Fiscal Year of Tatung-100)	Actual Disbursements
Pre-Budgetary Period (March 1-June 30, 1932) .....	19,327,898	14	18,197,864
First Fiscal Year of Tatung (July 1, 1932-June 30, 1933) .....	137,957,000	100	129,634,904
Second Fiscal Year of Tatung (July 1, 1933-June 30, 1934) .....	170,542,352	124	165,482,237
First Fiscal Year of Kangte (July 1, 1934-June 30, 1935) .....	188,725,058	137	187,241,541
Second Fiscal Year of Kangte (July 1, 1935-December 31, 1935) .....	104,998,700	152	—
Third Fiscal Year of Kangte (January 1, 1936-December 31, 1936) .....	219,405,000	159	—

N.B. The index numbers of the second fiscal year of Kangte which covered only a 6-month period were figured out by doubling the actual figures of that period for the convenience of comparison.

## 8 Progress in Currency Unification

Before the establishment of Manchoukuo, the currency system in Manchuria presented a most confusing picture. There were in circulation no less than 15 kinds and 136 denominations, ranging from an antiquated sycee to a beautifully printed note. Especially disorderly had been the notes which the war-lords issued most indiscriminately to an astronomical figure without any specie backing and which naturally flooded the country. Some of them depreciated as low as one-seventieth of their face values in 1929. Necessarily, one of the most admirable achievements of the new State has been the complete centralization and unification of its national currency.

The beginning of the currency reform was made with the proclamation and enforcement of a completely centralized currency system for the country. The Currency Law promulgated on July 11, 1932, (See Fourth Report, Appendix No. 12) established the silver standard with the *yuan* at 23.91 grammes as its unit and placed the right to issue all Manchoukuoan coins and notes exclusively in the newly established Central Bank of Manchou. The new currency is based upon the decimal system and consists of the *yuan*, the *chiao*



or one-tenth of yuan, the *fen*, or one-hundredth of yuan, and the *li* or one-thousandth of yuan. On this basis, the currency notes consist of 100 yuan, 10 yuan, 5 yuan, 1 yuan, and 5 chiao, while the subsidiary coins embrace the nickel coins for 1 chiao and 5 fen and copper coins for 1 fen and 5 li. While the paper note is legal tender for any amount, coins are legal tender only up to the sum equivalent to one hundred times their face value. The notes and coins thus issued by the Central Bank of Manchou have been stabilized in value and have gained the universal confidence of the people until to-day when some 180,000,000 yuan worth of new notes and 20,000,000 yuan worth of new coins constitute the accepted currency of the country (For details, see Appendix II, No. 9, b-c).

Under the military dictatorship of war-lords, both notes and coins were in most cases issued without proper specie reserves or any guarantee whatsoever, causing an endless depreciation of notes and untold inconveniences to the people. The new Currency Law therefore required the Central Bank of Manchou to possess as reserve a sum equivalent to 30 per cent. or more of the total amount of notes issued in gold and silver bullions, reliable foreign currencies, and deposits with foreign banks in gold and silver accounts, and the balances after deducting the aforementioned reserve from the total note issue in bonds, notes issued or certified by the Government, or gilt-edged securities or commercial papers. The unreserved confidence placed upon the Manchoukuo currency was largely due to this regulation and its strict observance by the Central Bank of Manchou. In fact, the Central Bank of Manchou always maintained more than 40 per cent. reserve even during the months of December and January and an average of 50 to 55 per cent. on ordinary months. The following table gives the figures at the end of June and December since the establishment of Manchoukuo (For monthly figures, see Appendix II, No. 9-b).

#### MANCHOUKUO NOTES AND SPECIE RESERVE

Year	Notes Issued in Yuan	Specie Reserve in Yuan	Percentage of Specie Reserve
July 1, 1932	142,234,881	80,490,190	56.6%
Dec. 31, ..	151,865,295	77,849,997	51.3%
June 30, 1933	112,963,519	76,659,566	67.8%
Dec. 31, ..	129,223,937	67,567,929	52.3%
June 30, 1934	100,540,556	59,961,551	59.6%
Dec. 31, ..	168,222,756	74,818,912	44.4%
June 30, 1935	112,692,412	59,593,590	52.4%
Dec. 31, ..	178,653,990	92,230,971	51.6%

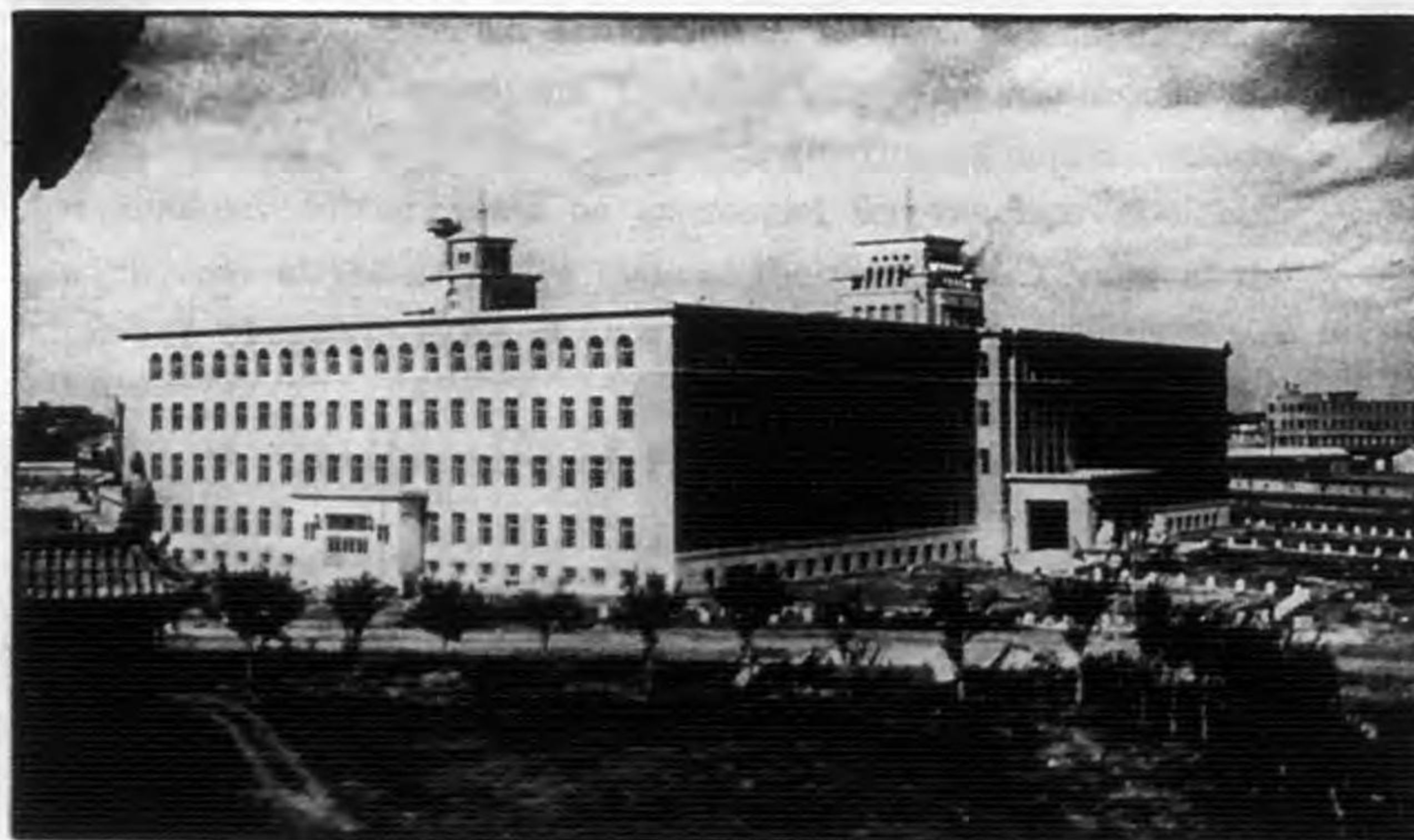
The second step taken by the Manchoukuo Government in its currency reform was the exchange and eventual withdrawal of



New Hsinking: The Department of Mongolian Affairs



New Hsinking: The Department of Justice and the Central Bank of Manchou



New Hsinking: The New Head Office of the Manchuria Telephone and Telegraph Company



the old currency. It was estimated that there were outstanding in 1932 some 142,234,872 yuan worth of old notes in term of the new Manchoukuo notes. The Old Currency Adjustment Regulations promulgated on July 27, 1932, prohibited the circulation of the old currency and decreed that a certain class of currencies enumerated, fifteen in all, may be continued at the face value for two years while all others must be exchanged with the newly authorized Manchoukuo currency at a specified rate and that the Manchoukuo currency alone would become supreme after the expiration of the two-year period (See Fourth Report, Section 78). An extension of one year was proclaimed on May 23, 1934, and the period of grace allowed for the exchange was officially closed on June 30, 1935. The work of currency unification was greeted, to the surprise of old timers, with tremendous favor and a total of 138,214,120 yuan or 97.17 per cent. of the various old currencies at first estimated to be outstanding had been redeemed by the Central Bank of Manchou up to June 30, 1935. The following figures give the amounts of old currencies redeemed in six-month periods:

REDEMPTION OF OLD CURRENCIES IN MANCHOUKUO, 1932-1935  
(Unit: M. ¥)

Year	Old Currencies Outstanding	Redeemed During Preceding 6 Months	Total Amount Redeemed	Percentage of Redemption
June 30, 1932	142,234,881	—	—	—
Dec. 31, 1932	93,687,824	48,547,056	48,547,056	34.13%
June 30, 1933	56,720,071	36,587,753	85,134,809	59.86%
Dec. 31, 1933	36,331,184	20,768,887	105,903,696	74.45%
June 30, 1934	9,883,510	26,447,673	132,351,370	93.05%
Dec. 31, 1934	6,575,183	3,308,327	135,659,697	95.38%
June 30, 1935	4,020,710	2,554,422	138,214,120	97.17%

Among other measures which were carried out to further the unification and stabilization of the new national currency may be mentioned the abolition on November 3, 1933, of Kuoluyin Silver in circulation in Yingkou and Chenping Silver at Antung on and after November 1, 1934. Simultaneously the Government announced that Kuoluyin Silver would be exchanged for the new Manchoukuo currency at the rate of 4 taels of the former to 1 yuan of the latter and Chenping Silver at 70.2 taels to 100 yuan.

## 9 Development of Financial Institutions

The financial institutions under the former regime were in a most chaotic condition, unsystematic and often unreliable. The Manchoukuo Government, therefore, took steps from the beginning to expedite a smooth development of financial facilities and to assist



the general welfare and interest of the people. It established the Central Bank of Manchou as a national agency of financial control, enacted and promulgated the national banking law, supervised banking institutions under its leadership, and instituted the Rural Credit Associations in the interest of farmers and small-scale business men.

(1) *The Central Bank of Manchou*

The Central Bank of Manchou was established in June, 1932, with an authorized capital of 30,000,000 yuan (See Fourth Report, Section 76). Of this authorized capital only 150,000,000 yuan or one-half had been paid up in two payments to date. It was formed as a result of amalgamating the four former note-issuing banks and took over 433,000,000 yuan worth of the latter's assets and liabilities. Of this amount the liabilities requiring liquidation totaled 198,000,000 yuan which were paid off with the assets of the old banks, including reserves and deposits of the former military regime amounting to 165,000,000 yuan, and by the issuance of 5 per cent. bonds in April, 1933, for the payment of the remaining sum of 33,000,000 yuan. In June, 1933, a corporation named Tahsing Kungssu, capitalized at 6,000,000 yuan, was founded to take over the pawning, brewing, and sundry goods business operated and controlled by the old banks. In addition it has successfully initiated and unified the national currency, took charge of the national funds, readjusted the machinery of organization, and expanded its activities. On the other hand, it has faithfully declared 6 per cent. dividend from the very first year and its net profit has increased from 362,808 yuan for the first six-month period ending on December 31, 1932, to 939,362 yuan for the seventh six-month period ending on December 31, 1935 (See Appendix II, No. 9-a). And thus it has become the indispensable central banking and financial institution of the country and its place has been securely established. Its head office is located in Hsinking and it has four main branches at Mukden, Kirin, Harbin, and Tsitsihar and 136 local branches in all leading cities and centers.

1. *Deposits.* The banks in Manchuria were formerly regarded largely as weapons of squeeze system and people generally mistrusted them. Naturally, the amount of money deposited in various banks was very small. The Central Bank of Manchou began to encourage the saving habit of the people through its branches and the deposit accounts gradually rose. At the end of the first six-

month period ending on December 31, 1932, the total amount of deposits was slightly over 50,000,000 yuan. The deposits increased rapidly since then until a total of 151,932,000 yuan was reached at the end of the seventh six-month period ending on December 31, 1935, an increase of 209 per cent. The following table gives the amount of deposits in six-month periods since 1932 (in 1,000 yuan):

DEPOSITS IN CENTRAL BANK OF MANCHOU

Year	Government Deposits	General Deposits	Total
Dec. 31, 1932	16,751	33,540	50,291
June 30, 1933	46,920	50,094	97,014
Dec. 31, 1933	32,853	38,674	71,527
June 30, 1934	54,867	72,312	127,179
Dec. 31, 1934	51,210	50,161	101,371
June 30, 1935	73,476	63,870	137,346
Dec. 31, 1935	73,734	78,198	151,932

2. *Loans.* When the Central Bank of Manchou was opened to business, the loans totaled slightly over 107,000,000 yuan. This amount has grown to 124,000,000 yuan at the end of 1932 on account of advances to the Government and loans on agricultural products. Then the amount decreased steadily for two six-month periods on account of the repayments and the decline in the price of beans, but again began to increase, due largely to the increasing loans to farmers, the rise in the price of beans, and the general industrial expansion. The following table shows the distribution of loans in six-month periods (in 1,000 yuan):

LOANS BY CENTRAL BANK OF MANCHOU

Year	Advances to Government	Others	Total
July 1, 1932	11,500	95,565	107,065
Dec. 31, 1932	23,500	100,427	123,927
June 30, 1933	19,100	89,767	108,867
Dec. 31, 1933	19,100	84,799	103,899
June 30, 1934	19,100	90,904	110,004
Dec. 31, 1934	24,600	140,493	165,093
June 30, 1935	33,746	112,736	146,482
Dec. 31, 1935	52,946	116,053	168,999

3. *Remittances.* Formerly, various provinces used different notes and the procedure for domestic remittances differed very little from that for foreign remittances based upon exchange rates. Naturally, it was extremely inconvenient and the rates were high. The unification of the currency completely changed the situation and with the lessening of fees to almost nothing the amount of domestic remittances began to increase. The following table shows the amount of domestic remittance orders issued and paid by the Central Bank of Manchou in six-month periods;



## REMITTANCES THROUGH THE CENTRAL BANK OF MANCHOU

Years	Issued		Paid	
	No. of Cases	Amount in Yuan	No. of Cases	Amount in Yuan
July-Dec., 1932	57,945	126,133,630	57,440	125,025,526
Jan.-June, 1933	126,585	216,842,669	126,636	237,424,651
July-Dec., 1933	210,012	214,496,230	206,768	220,004,336
Jan.-June, 1934	260,162	243,360,852	264,246	238,484,882
July-Dec., 1934	343,776	370,848,540	344,798	363,119,049
Jan.-June, 1935	396,056	403,592,631	394,654	401,208,442
July-Dec., 1935	490,422	543,197,465	489,727	527,432,117

4. *Purchase of Gold.* Since the promulgation of the Gold Purchasing Law in June, 1933, the Central Bank of Manchou has been accorded the exclusive right to purchase all gold produced within the country. Accordingly, it has opened special offices at such places as Mukden, Antung, Chiamussu, Heiho, and Harbin, and has been purchasing native gold. With the establishment of the Gold Production Company in May, 1934, and the promulgation of the Mining Law in September, 1935, it is believed that the purchase of gold will gradually increase. Up to December 31, 1935, the amount of native gold thus purchased totaled 6,146,000 grammes valued at 20,552,000 yuan, the purchase during the first six months in 1935 alone amounting to 2,113,000 grammes. The purchase price is announced every week, and throughout 1935, it was kept at 3.50 yuan per gramme of fine gold. The quantity and value of gold purchased by the Bank for each half year period are as follows:

## GOLD PURCHASED BY THE CENTRAL BANK OF MANCHOU

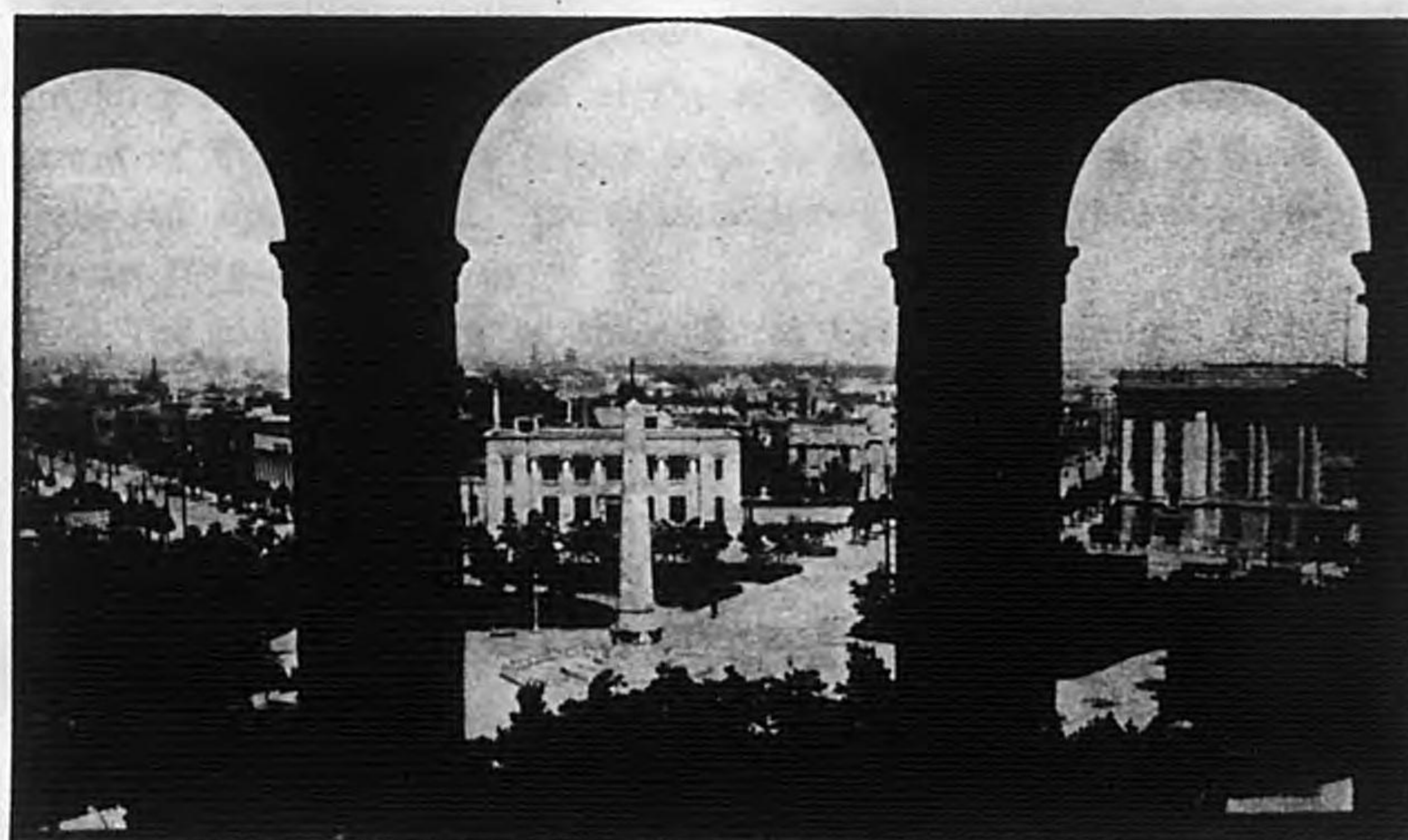
Periods	Quantity in Grammes	Value in Yuan
June 14-Dec., 1933	703,059.84	2,053,535.06
Jan.-June, 1934	337,221.28	1,026,530.38
July-Dec., 1934	862,069.37	2,787,877.87
Jan.-June, 1935	1,830,471.43	6,290,138.58
July-Dec., 1935	2,412,694.31	8,394,053.05
Total Purchases	6,145,516.23	20,552,243.94
Gold holdings prior to June 14, 1933	2,196,091.49	6,218,340.55
Total Gold holdings on Dec. 31, 1935	8,341,707.72	26,770,584.49

## (2) Rural Credit Associations

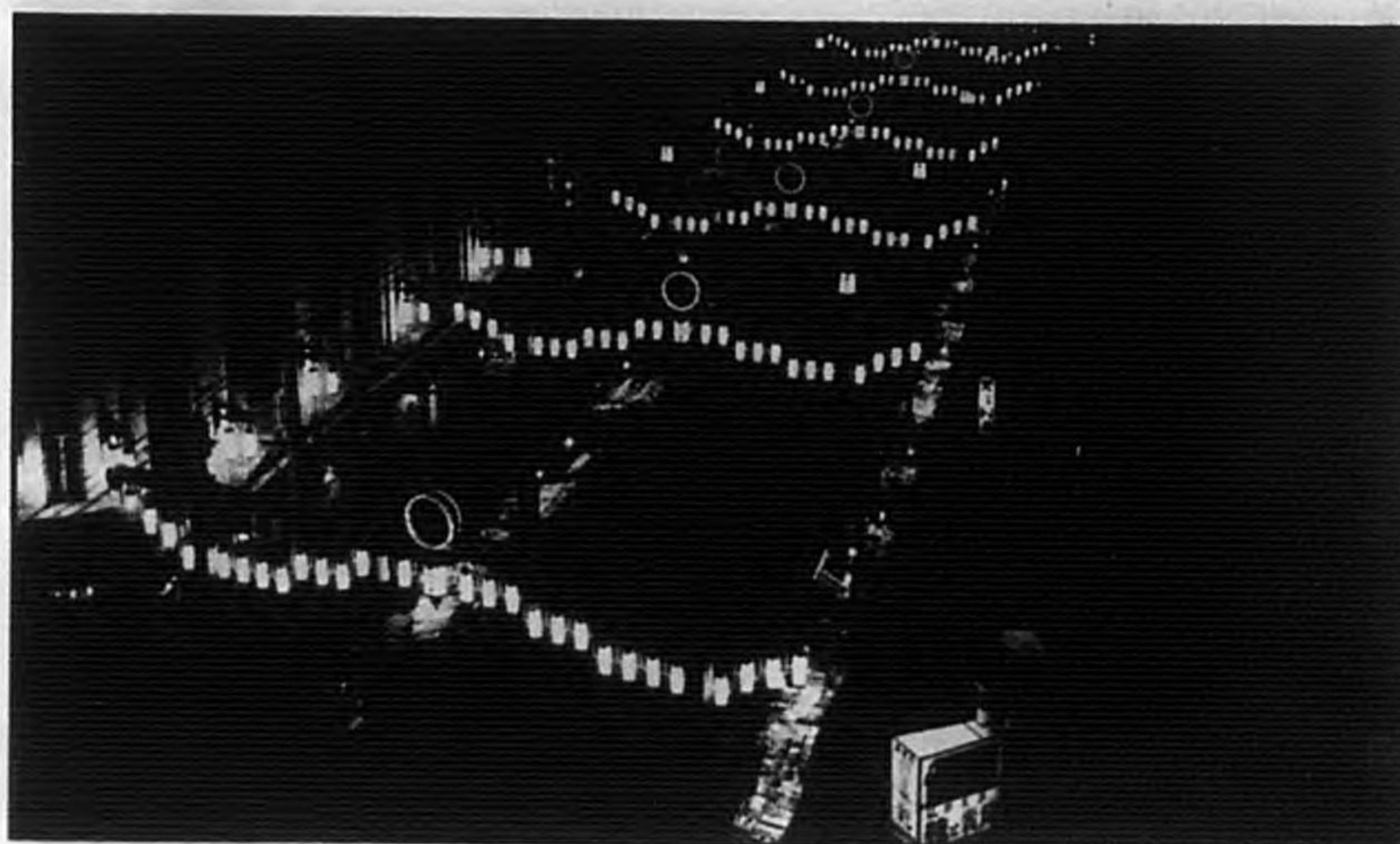
While the banks and similar institutions answered the financial needs of the organized business in the cities, the only financial institution open to smaller business groups and farmers in Manchuria was the *tangpu* or a sort of pawn shops. For the farmers who required simple, long-term, low-interest loans there was no organized form of financial assistance before 1932. The Manchou-



"Hsiao-hsi-men" or Small West Gate of the Walled Town of Mukden



The S. M. R. Zone, Mukden



"White Way" comes to Dairen



kuo Government, therefore, began to study just such a need and investigated various forms of credit associations prevalent in Germany, Japan, Chosen, and the Kwantung Leased Territory. As a result the Government experimentally created two Rural Credit Associations in Fengtien Province, one each in Shenyang and Fu Prefectures. The experiments turned out to be most encouraging and the Finance Department in 1933 inaugurated eight similar Rural Credit Associations in Fengtien, two in Kirin, and one in Heilungkiang Provinces. The further success of these additional experiments led the Government to issue the Rural Credit Association Law in September, 1934, and the Federation of Rural Credit Associations, composed of thirteen existing Rural Credit Associations, was formed under the new Law. During the year 1935, sixty-nine additional Rural Credit Associations were established making the total eighty-two at the end of the year. The Department of Finance is now taking steps to organize a total of three hundred similar Rural Credit Associations within five years between 1936 and 1941.

The chief function of these Rural Credit Associations is to advance to farmers and small-scale business groups long-term and low-interest loans for the encouragement of their industries. At the end of January, 1936, the membership numbered 89,143 and the total amount of loans advanced aggregated 6,716,000 yuan. The following table shows the growth of the institutions during the past two years:

RURAL CREDIT ASSOCIATIONS

Dates (End of)	Numbers	Members	Loans Ad- vanced (in 1,000 Yuan)	Loans Out- standing (in 1,000 Yuan)
Jan. 1934	6	2,877	198	95
Feb. "	8	3,455	221	18
Mar. "	10	5,119	254	138
Apr. "	11	6,573	414	177
May "	12	8,722	666	181
June "	12	11,073	953	231
July "	13	12,075	1,205	350
Aug. "	13	12,750	1,420	416
Sept. "	13	14,077	1,591	367
Oct. "	13	14,901	1,710	384
Nov. "	13	15,202	1,747	351
Dec. "	13	15,307	1,955	457
Jan. 1935	13	17,195	1,955	535
Feb. "	13	17,800	1,951	493
Mar. "	47	29,658	2,238	573
Apr. "	48	38,939	2,854	1,125
May "	52	55,868	4,338	1,300
June "	52	64,344	5,674	1,420
July "	52	66,192	6,584	1,344
Aug. "	52	68,196	7,070	1,309



Dates (End of)	Numbers	Members	Loans Ad- vanced (in 1,000 Yuan)	Loans Out- standing (in 1,000 Yuan)
Sept. 1935	70	70,736	7,284	1,236
Oct. "	82	74,091	7,138	1,202
Nov. "	82	73,752	6,861	1,551
Dec. "	82	86,275	6,327	2,102
Jan. 1936	82	89,143	6,714	2,562

The distribution of the membership according to Provinces is as follows:

#### DISTRIBUTION OF RURAL CREDIT ASSOCIATIONS

Provinces	Number of Associations	Membership
Kirin	22	22,691
Langkiang	23	10,588
Sankiang	3	2,358
Pinkiang	23	3,599
Antung	5	2,849
Mukden	23	35,415
Chinchow	9	12,754
Jehol	4	2,422
South Hsingan	1	377
Total	82	89,143

#### (3) Banking Activities in General

Before 1932, there existed banks, *chienchuang* or currency dealers, and *tungpu* or pawn shops to answer the banking needs of the people. The disorderly condition of the currency system and the pressure emanating from the provincial and foreign banks extremely regarded the proper development of banks. Even those banks which enjoyed the cooperative backing of provincial banks gradually began to lose their functions as banking institutions largely on account of mismanagement, world-wide depression, and political uncertainty following the Manchurian Incident. The *chienchuang* and *tungpu* are quite primitive institutions which gradually grew up to answer the needs of small business groups and farmers. In 1932, therefore, there were very few banking institutions, if at all, which could answer the financial needs of a new age.

With such a gloomy background, the Manchoukuo Government took up the responsible task of reforming the banking institutions of the country. The first step in the reform was taken with the promulgation of the Banking Law on November 9, 1933 (See Fourth Report, Appendix No. 15). Under this new instrument, among other things, all banks were required to register and receive the government license to operate, new regulations going into force after December 31, 1934, and June 30, 1934, was designated as the last day for filing applications. Accordingly some 169 applications were made before the designated date and the

Government made a careful study of all before granting license to operate. As a result, only 88 institutions, including 65 Manchurian and 23 Chinese banks, were officially approved.

This sweeping readjustment of existing banking institutions of the country was followed by the extension of further governmental control and supervision. The Department of Finance thus has been following the general policy of encouraging various internal reforms among the existing banks, merging smaller banks into larger and more dependable banks, and requiring all new banks to be incorporated with a certain limitation of capitals. Four general groups are recognized for the purpose of limiting the capital: (1) 400,000 yuan or more for banks or branches operating in Hsinking Special Municipality, Harbin Special Municipality, and Mukden; (2) 300,000 yuan or more for same in Tsitsihar, Kirin, Yingkou, and Antung; (3) 200,000 yuan or more for same in the seats of Prefectures which are deemed specially important; and (4) 100,000 yuan or more in all others not included in the above categories.

At the end of December, 1935, there existed 81 approved banks, but the gradual increase in the number of new banks is now being looked forward. At the same time, the Government is supervising the approved banks carefully and all untrustworthy ones will be gradually eliminated. The following table shows the combined general view of 81 approved banks at the end of December, 1935 (in yuan):

#### STATEMENT OF CONDITION OF REPORTING ORDINARY BANKS (As at end of December, 1935)

Items	A. Assets		
	All Banks (81)	Manchoukuo Banks (58)	Chinese Banks (23)
Unpaid Capital	2,710,000	2,710,000	—
Loans	48,180,391	32,103,514	16,076,877
Deposits with Other Banks	10,596,099	3,219,689	7,376,410
Due from Banks	1,186,615	1,186,043	572
Forward Exchanges Bought	9,065,410	6,931,614	2,133,796
Securities	5,474,160	758,191	4,715,967
Bullions	78,896	73,052	5,844
Bank Properties	10,365,217	5,846,212	4,519,005
Cash in Hand	2,431,635	1,193,568	1,238,067
Others	56,160,975	7,187,991	48,972,984
Total	146,249,398	61,209,884	85,039,524

Items	B. Liabilities		
	All Banks (81)	Manchoukuo Banks (58)	Chinese Banks (23)
Capital	14,159,600	14,159,600	—
Reserves	2,079,127	2,079,127	—
Deposits	36,552,849	11,364,815	25,188,034



Items	All Banks (81)	Manchoukuo Banks (58)	Chinese Banks (23)
Loans from Banks .....	12,094,072	11,767,022	327,050
Due from Banks .....	789,381	789,381	—
Bills Payable .....	7,502,220	6,778,484	723,734
Forward Exchange Sold ..	9,144,784	6,983,346	2,161,441
Others .....	63,927,365	7,288,102	56,639,263
Total .....	146,249,398	61,209,874	85,039,524

#### (4) Interest Rates

The interest rates under the former regime were exceedingly high, sometimes almost prohibitive, and there were considerable differences according to localities as each Province acted independently. The Central Bank of Manchou first of all effected the unification of interest rates and then the gradual reduction. The revised lower interest rates were enforced on September 1, 1932, and further revised in July, 1933, and May, 1934. In April, 1935, however, the stabilization of currency and the high interest rates in China forced a slight revision, making the rates higher, while in May, 1936, the lowering of the rates in Japan again forced a slight revision downward. The following table shows the comparative rates to date:

#### INTEREST RATES OF THE CENTRAL BANK OF MANCHOU

##### A. Interest on Deposits

(Per Annum for Fixed Deposits; Per Diem  
Per 100,000 Yuan for Others)

Kinds	Sept. 1 1932	July 1 1933	May 1 1934	April 1 1935	May 11 1936
Current Deposits .....	.50	.30	.30	.30	.30
Special Current Deposits ..	.83	.70	.70	.80	.70
Notice Deposits .....	1.00	.80	.80	1.00	.90
Fixed Deposits:					
3 months .....	4.8%	3.6%	3.5%		
6 months .....	6%	4.8%	4.5%	5%	4.2%
12 months .....	7.2%	6%	5%	6%	4.7%

##### B. Interest on Loans

(Per Diem Per 100,000 Yuan; Unit: Fen)

Kinds	Sept. 1 1932	July 1 1933	May 1 1934	May 11 1936
Fixed Loans .....	3.60	2.50	2.20	2.00
Gold Silver .....	—	2.20	1.90	1.70
Commodities .....	3.30	2.50	2.20	2.00
Bonds and Shares .....	2.83	2.50	2.00	1.80
Warehouse Cereals .....	3.30	2.50	2.20	2.00
Real Estates .....	3.30	2.50	2.20	2.00
Other Securities .....	3.30	2.50	2.20	2.00
Discounts .....	2.83	2.20	1.90	1.70

The interest rates thus enforced by the Central Bank of Man-

chou naturally had the effect of more or less standardizing the interest rates of other banks throughout the country, altogether eliminating the irregularities and prohibitive rates of old days.

## 10 Progress in Currency Stabilization

The Government of Manchoukuo, through its studied policy of currency unification, successfully maintained the parity of value against depreciation and the accompanying stability of commodity prices within the country. Consequently, the position of the Manchoukuo national currency was elevated to a considerably high level and the readjustment and unification of currency have been greatly accelerated.

### (1) Yen-Yuan Parity

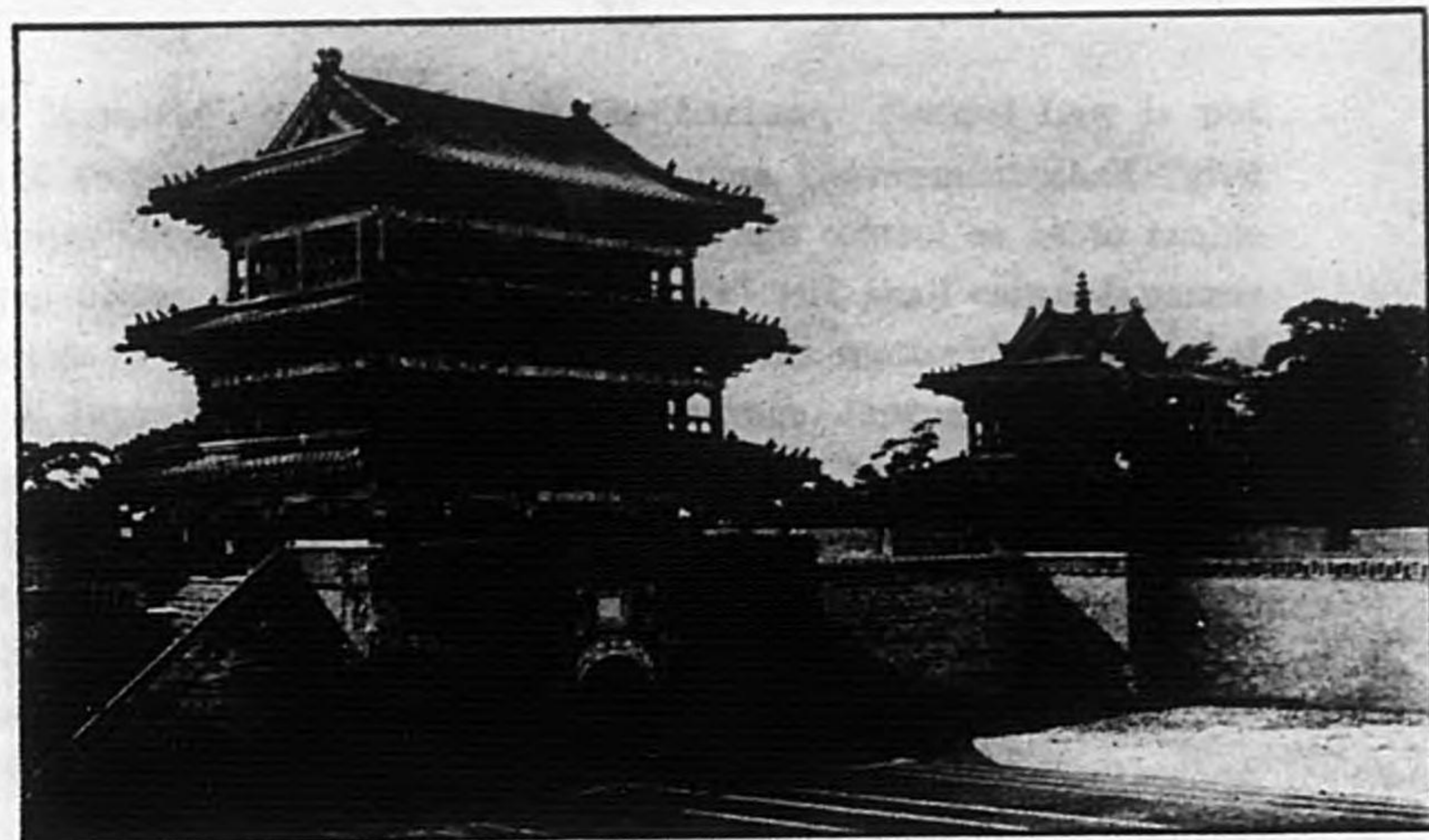
The question of currency stabilization became acute, however, as a result of two developments. In the first place, in fostering the necessary constructive measures for economic development, Manchoukuo naturally sought capital from Japan while the influx of Japanese capital and the accompanying constructive activities resulted in the amazing increase of Japanese bank notes, especially the Bank of Chosen notes. At first the circulation of Manchoukuo national currency daily averaged about 145 million yuan but this was reduced to 112 millions after a year or so and finally to 99 millions after two years, whereas the circulation of the Bank of Chosen notes registered a drastic gain of 50 million yen within the same period. Thus the monetary situation within Manchoukuo was gradually feeling the dominating pressure of the Japanese bank notes. In the midst of such a process, in the second place, the silver boosting policy of the United States caused a continuous efflux of silver from Manchoukuo and the Central Bank of Manchou had to encounter considerable difficulty in operating on the exchange market. Finally, the Manchoukuo national currency was divorced from silver in January, 1935, and shifted over to the policy of a simple managed currency, having for its object the stabilization of commodity prices. The result was the gradual decline of the exchange value of the Manchoukuo yuan, slumping from the high of 130 yen at the beginning of the year to 100 yen in August.

It was with such a background that the question of currency stabilization became an acute one and the Manchoukuo Government finally decided to link yuan to yen and appealed to Tokyo

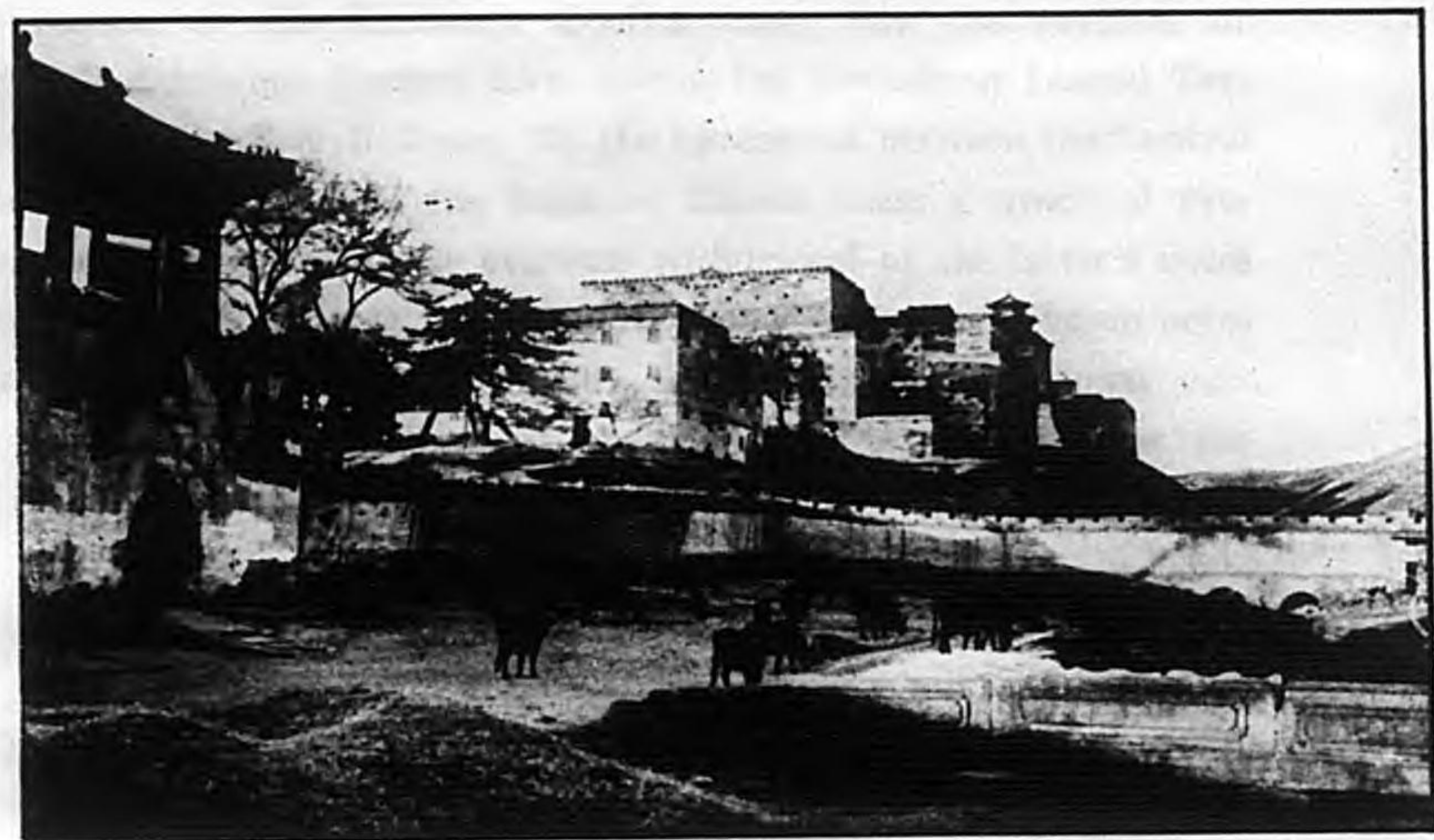


for understanding and assistance. The negotiations which followed were continued throughout the autumn and the Department of Finance at Tokyo announced, on October 28, 1935, its general policy which contained the following important points: (1) that the international value of the Manchoukuo national currency shall be linked to the Japanese yen hereafter in order to maintain the Japan-Manchoukuo exchange at par; (2) that the stabilization of yen-yuan parity shall be maintained through Manchoukuo's own economic strength, especially by the improvement of her economic and financial conditions and particularly her international balance of trade, the enforcement of a law for the control of foreign exchange, and the increase in the use of her national currency; and (3) that Japan shall give full assistance to Manchoukuo in the above task by augmenting Japan's investments in Manchuria and encouraging industrial expansion, by using the Manchoukuo currency in the payments made by the Japanese army stationed in Manchoukuo and by the South Manchuria Railway Company and gradually withdrawing the Bank of Chosen notes, by helping to check the outflow of Manchoukuo capital and preventing the speculative dealings in the Manchoukuo currency through the establishment of custom houses along the border lines, and by waving the extraterritorial rights in this connection and enforcing the Exchange Control Law of Manchoukuo upon Japanese banks in Manchuria.

As a result of these negotiations, a complete accord was reached by November 4, 1935, when the Japanese Cabinet Council approved the policy of collaborating with Manchoukuo in the latter's efforts to stabilize and unify her currency. The statement issued by the Japanese Government on the same date emphasized the following five points to be enforced as national policy: (1) that "it was appropriate to unify our bank notes in circulation in Manchoukuo under the Manchoukuo national currency at a suitable time"; (2) that this change should be made gradually to prevent any disruption to the economic relations between the two countries and in particular to the Japanese investments in Manchoukuo, "as this step involves numerous matters requiring serious consideration such as the relinquishment of our extraterritorial rights, adjustment or transfer of the administrative rights within the S. M. R. Zone, and probable effect on our banks subsequent to the proposed currency unification"; (3) that the Japanese Government has decided first of all to exercise "necessary control on the business in Manchoukuo of the Bank of Chosen and to allow it to conclude some suitable business agreement with the Central Bank



The Splendor of the North Mausoleum, Mukden



The Ruins of a Massive Lama Temple, Chengte



The "Pailou" or Decorative Gate, Hsingcheng



of Manchou"; (4) that, when the Exchange Control Law is put into force in Manchoukuo, the Japanese Government shall "give proper consideration to our own exchange control so as to enable that nation to achieve the best results" and shall cause Japanese banks in Manchoukuo to cooperate in this matter; and (5) that the Japanese Government shall encourage Japanese officials and people residing in Manchoukuo "to use the Manchoukuo currency as far as circumstances permit", especially by making arrangements so as to enable the Japanese Army stationed there and the South Manchuria Railway Company to make their payments as far as possible in Manchoukuo currency.

The Japan-Manchoukuo agreement thus having been reached, the next step in the currency stabilization in Manchoukuo required five necessary arrangements, namely, (1) the proclamation and enforcement of the Exchange Control Law, (2) the revision of Japan's Exchange Control Law within the Kwantung Leased Territory and the S. M. R. Zone, (3) the agreement between the Central Bank of Manchou and the Bank of Chosen upon a practical procedure with regard to the eventual withdrawal of the latter's notes from Manchoukuo, (4) the redemption of the Bank of Chosen notes circulating in Manchoukuo with the Manchoukuo national currency, and (5) the eventual abolition of the *Chaopiao* or the Yokohama Specie Bank silver notes.

#### (2) *Manchoukuo Exchange Control Law*

The Exchange Control Law of Manchoukuo was proclaimed on November 30, 1935, and became effective on December 10, 1935. The Manchoukuo Government announced that this Law was proclaimed for the purpose of preventing sudden and artificial fluctuations in the value of the national currency against those of foreign currencies and consolidating the basis of the monetary system by prohibiting speculative transactions in the national currency, preventing the flight of capital abroad, promoting better circulation of the national currency, and preventing the exodus of bullions.

The Exchange Control Law (See Appendix III, No. 11) specifically prohibited the buying or selling of any foreign currency or foreign exchange for speculative purposes. The foreign currency thus banned included foreign obligations, while the foreign exchange embraced bill of exchange, cheque, telegraphic or postal money order drawn in Manchoukuo on any foreign country and vice versa. The Kwantung Leased Territory is naturally regarded under this



Law as a foreign country. It also banned the buying or selling *Hsien-Tung*, *Hsien-Hsiangyang*, or any silver coin of the former regime, the sale of such to the Central Bank of Manchou being excepted. The Law also set forth details of the matters which required official permission. These included the buying of any foreign currency quoted in Manchoukuo national currency or any currency circulated in accordance with Japanese law or foreign exchange, the remittance of money to any foreign country, any payment to be made within Manchoukuo in accordance with consignment made in any foreign country, the importation of any foreign currency, the exportation of gold and silver bullions and related items, the conveyance by transportation facilities of gold or silver bullions, the issue of debenture or contract for deposit as well as for loan for consumption within the country in any foreign currency, and the buying or selling within Manchoukuo of bonds and securities expressed in terms of any foreign currency. The foreign currency in this group excluded that in circulation in accordance with Japanese laws and the foreign country except Japan and the Kwantung Leased Territory. No official permission was necessary in a few matters including the importation or exportation of goods from or to any foreign country, the remittance to a claimant residing in any foreign country principal and interest of public bond or loan, the travelling expenses not exceeding one year, and the remittance of travelling expenses and other necessary funds to a person travelling or staying abroad.

(3) *Revision of Japanese Exchange Control Law*

The proclamation and enforcement of the Manchoukuo Exchange Control Law necessitated a revision of the Japanese Exchange Control Regulations of 1933 which were in force in the Kwantung Leased Territory and the S.M.R. Zone. This the Japanese Government proceeded to do and revised the Regulations to be enforced within the Kwantung Leased Territory and the S.M.R. Zone.

The Revised Regulations, which went into force soon after the Manchoukuo Exchange Control Law, placed a limitation upon the buying, selling, or importing of foreign silver currency or exporting any foreign silver currency or any gold and silver bullions within the S.M.R. Zone and prohibited the speculative transactions there in foreign currency, foreign money order, or securities in foreign currency. The dealers who handled gold and silver bullions were required to file a special form of application, while the

brokers who dealt with foreign money order between Manchoukuo and the S.M.R. Zone, securities in foreign currency or foreign money order, and buying and selling of gold and silver bullions were required to file detailed statements and reports with the authorities. The Japanese Ambassador in Hsinking was empowered to appoint dealers for buying and selling Manchoukuo currency. Lastly the Kwantung Bureau was empowered to device penal regulations where the Exchange Control Law is not applicable.

(4) *Agreement between Bank of Chosen and Central Bank of Manchou*

The maintenance of the yen-yuan parity would naturally result in the expansion of the Bank of Chosen notes and the decrease of the Manchoukuo currency as the former have greater confidence of the general public, specially the Japanese. This would be disastrous to the Central Bank of Manchou and its policy of unifying and stabilizing the national currency within Manchoukuo. The Manchoukuo authorities, therefore, proposed to the Tokyo Department of Finance for its support in the maintenance of the yen-yuan parity and the eventual withdrawal of the Bank of Chosen notes from Manchoukuo. The Department of Finance reacted to the proposal favorably, while the Bank of Chosen was willing to carry out whatever recommendations which the Department of Finance would make and to negotiate with Manchoukuo as to the time and method of withdrawing its notes from Manchoukuo. And thus were initiated the negotiations between the Bank of Chosen and the Central Bank of Manchou, both under the direction of respective Governments.

The negotiations progressed smoothly and rapidly, and an agreement on general principle was reached by December 6, 1935. Under this Agreement, the Bank of Chosen agreed to support the Manchoukuo policy of unifying her national currency and of enforcing her Exchange Control Law, to use the Manchoukuo national currency in making loans within Manchoukuo and the S.M.R. Zone, and to limit its banking activities within Manchoukuo gradually. The Central Bank of Manchou agreed to provide the Bank of Chosen with necessary Manchoukuo national currency and to deposit the Bank of Chosen notes thus received with the Bank of Chosen, to transact the Japan-Manchoukuo international money order through the Bank of Chosen, and to expand its banking activities gradually in proportion to the limitation of the Bank of Chosen activities. Moreover, the Central Bank of Manchou, except within the S. M. R. Zone, will not handle any banking activities on the gold basis.



The Agreement was to go into force outside of the S. M. R. Zone at the end of December, while its enforcement within the S. M. R. Zone was to be postponed until after the relinquishment of the extraterritorial rights. From the date of the enforcement, the Bank of Chosen branches located outside of the S. M. R. Zone carried on transactions in all loan activities on the basis of the Manchoukuo national currency, while the past loans made on the gold yen basis were left untouched. The Bank of Chosen, however, will not effect any change with regard to its deposits and money order transactions on the gold yen basis. It is believed that no violent effect of this epochal change upon the commercial and industrial world would be felt as the entire shift is planned gradually.

#### (5) Redemption of Bank of Chosen Notes

The unification of the Manchoukuo national currency and its stabilization and the proposed gradual withdrawal of the Bank of Chosen notes from Manchoukuo naturally raised the question of the redemption of the Bank of Chosen notes by the Manchoukuo currency.

The Bank of Chosen notes in circulation in Manchuria are estimated at some 200,000,000 yen. Of this sum, the Manchoukuo authorities believe that probably about one-third or one-fourth are actually circulating. On this basis, they believe that some 50-60 million yen worth of the Bank of Chosen notes are in circulation as against about 110-160 million yuan worth of the Manchoukuo notes. Moreover, as the Kwantung Leased Territory, the S. M. R. Zone, and the Chientao District will not be affected for the time being, they believe that the redemption of some 30 million yen would completely eliminate the Bank of Chosen notes from the Manchoukuo proper.

With such an optimistic belief, the Central Bank of Manchou began to redeem the Bank of Chosen notes in Manchoukuo outside of the S. M. R. Zone and the Chientao District from the closing days of December, 1935. This process unexpectedly raised a troublesome question of interest rate as the redeemed Bank of Chosen notes by agreement were to be deposited with the Bank of Chosen. The difficulty was quickly ironed out, however, through a compromise agreement, raising the minimum interest rate to 6-7 rin. At the same time the interest rate on the Manchoukuo currency loaned out by the Central Bank of Manchou to the Bank of Chosen was lowered 2-3 rin from the daily rate of 1.5 sen while the Bank of Chosen agreed to make all future loans over the beans

and other agricultural products with the Manchoukuo currency. The further development in this matter is being watched carefully.

#### (6) Question of Abolishing Chaopiao

The smooth progress made in the adjustment between the Manchoukuo currency and the Bank of Chosen notes naturally revived the question relating to the future of the *Chaopiao*. The *Chaopiao* was almost exclusively used in the transaction of beans and other agricultural products and its abolition was often voiced by various groups but its accepted usage made its realization difficult. The detachment of yuan from silver and its linking to yen once more raised the question seriously.

The transaction of beans and other agricultural products with Europe and Japan, their chief markets, was naturally conducted on the gold basis. Now the interior of Manchoukuo which supply those products is detached from silver and linked to gold. It became thus irrational that only Dairen, the chief mid-point in trade, should remain and maintain its silver basis with the continued use of the *Chaopiao*. Moreover, it is liable to invite violent disturbances in the price situation. The supporters of the *Chaopiao*, on the other hand, see the possibility of an increased use of the *Chaopiao* with the improvement of Sino-Japanese relations and the gradual revival of the export of beans to Central and South China. Even if this is so, the volume of such an export is very small and it does not furnish any plausible reason for the continued use of the *Chaopiao*. Thus, the life of the *Chaopiao* has come to be numbered and it awaits the final action of the Japanese Government to pass away from the Manchurian scene.

### 11 Reforms in Taxation System

The taxation system under the former regime, if there was any system at all, was in chaos and the squeeze system *par excellence* was enforced in the open daylight. With the establishment of Manchoukuo, a new era dawned before Manchoukuo. As already noted, the new Government first of all centralized the fiscal administration by depriving the provincial authorities of their financial control and by establishing a budget system for both the Central and Provincial Governments to cover all the revenues and expenditures of the country. This policy necessitated a thorough reform in the existing taxation system and the Government began to take determined steps in that direction.



The reform in the taxation system of Manchoukuo has initiated aimed at the standardization of different existing systems, the formation of a simpler and more rational taxation system, the non-imposition of any new taxes excepting those which are deemed necessary to adjust the new system to the prevailing conditions and the establishment of an equilibrium between the national and local taxes. The task was by no means an easy one and the reform measures were carefully studied and gradually introduced and enforced. The work is still going on.

The first important reform measure effected was the complete unification of the country's taxation system. As sudden changes were deemed more harmful than helpful the Government undertook this task in two general stages. The first period was to be devoted to the unification of the taxation system throughout the country by rationalizing the whole system and realizing a fair distribution of tax burdens, while the second period was to be used for the adjustment of the new system to the conditions peculiar to Manchoukuo. The reform movement is still within the first stage but several noteworthy results had been attained already. Among such reform measures already formulated and enforced may be mentioned the imposition of three Tungshui or consolidated taxes on cotton yarn, wheat flour, and cement; the standardization of foodstuff production tax; the institution of tobacco tax; the standardization of timber tax; the establishment of the license system in the manufacture of goods subject to consumption taxes; the abolition of consumption taxes on imported alcoholic beverages, tobacco, cotton fabrics, wheat flour, and cement; the abolition of the so-called *panchiao* system; the imposition of uniform business tax, wine tax, and corporation tax; and the standardization of mining tax and the enforcement of Mining Registration Law. Other reform measures now under formulation or contemplation include live-stock tax; excise on salt, tobacco, and matches; and registration and stamp taxes. When completed, the general levy will include taxes on land, business, grain, mines, timber, live-stock, and opium production, while the consumption levy will embrace taxes on salt, tobacco, wine, cigars and cigarettes, cotton yarn, wheat flour, cement, and match.

Another important reform measure which even preceded the unification project was the division of national taxes and local taxes in September, 1932. An Ordinance issued by the Finance Department announced that, from October 1, 1932, "the existing taxes which formerly belonged to the revenue of the Central and Pro-

vincial Governments, regardless of their collection organs, shall all be made national taxes" and that "other taxes shall be made local taxes and become the revenue of hsien, city or the shechihchu." Under this policy, the following eighteen taxes were proclaimed as national taxes: (1) customs duties; (2) tonnage dues; (3) salt tax; (4) land tax; (5) stamp duty; (6) mining tax; (7) coal tax; (8) business tax; (9) production tax; (10) pawn-shop tax; (11) slaughter tax; (12) live-stock tax; (13) fishery tax; (14) tobacco tax; (15) wine tax; (16) consumption tax; (17) deed tax; and (18) miscellaneous taxes supplementary to the seventeen taxes named. On the other hand, vehicle tax, vessel tax, miaochuan tax or a sort of local surtax on business tax, chichuan license tax on singing girls and restaurants, amusement tax, and other miscellaneous taxes supplementary to such taxes were transferred to hsiens and cities. This difficult task of dividing the national and local taxes could not be completely enforced during the first fiscal year of 1932-33 due largely to the age-old practices and consequent misunderstandings, but was successfully realized from the second fiscal year of 1933-34.

With the enforcement of such a revolutionary new policy in the taxation system of Manchoukuo, many of the burdensome taxes which were dreaded by the people were either completely abolished or greatly reduced. Most noteworthy in this connection was the abolition of all military surtaxes on various taxes and the policing salt tax. The abolition or reduction of some sixteen different taxes, including the reduction on land and business taxes, salt surtax, and cigarette tax, resulted in relieving the people of tax burdens amounting to about 26,000,000 yuan.

Such a reform in the taxation system naturally necessitated an accompanying reform in the tax collecting system itself as the tax collectors were the most corrupt officials under the former militarist regime. The reform was instituted by the organization of five Revenue Superintendent Bureaux for the purpose of controlling and coordinating the activities of the local tax collecting organs. In 1934, twelve branches were established under these Bureaux. In the next place, some 158 local tax collecting offices were completely reorganized under the guidance of Japanese experts and through the enforcement of a rational salary system and the allocation of fixed funds necessary for tax collection. Of these, forty offices located in important centers were selected and made into Model Tax Offices to set examples in the improved method of tax administration. Moreover, a Revenue Officers Training Institute was



established for the purpose of training officials serving under the reorganized system, while a number of officials were sent annually to Japan for the purpose of training and observation. And thus the tax collecting organs were completely centralized, standardized, and modernized.

The following table gives the comparative tax incomes, actual and estimate, for the past three years:

MANCHOUKUO'S INTERNAL TAX INCOMES, 1933-1936				
	1933-34 (Actual)	1934-35 (Actual)	July-Dec. 1935 (Actual)	1936 (Estimate)
Land Tax .....	7,720,906.81	9,580,163.97	4,265,060.00	11,442,000.00
Production Tax ..	7,237,372.45	8,781,114.43	4,658,650.00	8,418,000.00
Mining Tax .....	930,193.43	1,197,493.91	577,555.00	988,000.00
Business Tax ....	4,654,433.53	6,335,426.30	4,337,549.00	8,399,000.00
Cattle .....	1,487,384.20	2,541,849.83	1,330,452.00	2,142,000.00
Wine Tax .....	7,967,710.89	9,305,264.62	5,365,540.00	11,456,000.00
Tobacco Tax .....	2,959,666.91	3,861,149.76	2,202,313.00	6,880,000.00
Consolidated Tax ..	3,889,162.27	3,032,463.68	1,448,688.00	2,734,000.00
Miscellaneous Taxes	544,915.17	1,517,162.36	594,931.00	688,000.00
Total .....	37,392,250.66	46,152,088.87	24,780,738.00	53,148,000.00
Deed Tax .....	2,673,960.91	—	—	—
Stamp Tax .....	1,647,729.79	—	—	—
Grand Total ..	41,713,941.36	46,152,088.87	24,780,738.00	53,148,000.00

## 12 Revisions of Customs Tariff

The Manchoukuo Government took over the Chinese customs administration within its boundary after June 26, 1932. However, it agreed to pay Manchoukuo's share of the Chinese foreign loan service in accordance with the ratio existing between the Manchoukuo and Chinese customs revenue and the total of the combined Manchoukuo and Chinese revenues. Since then the Manchoukuo customs administration has been carried out through eight custom houses, located at Dairen, Yingkou, Antung, Lungchingtsun, Tumen, Harbin, Chengte, and Shanhaikuan, and their branch offices. The Harbin Custom Office has charge of the former custom houses at Manchouli, Heiho, and Suifenho.

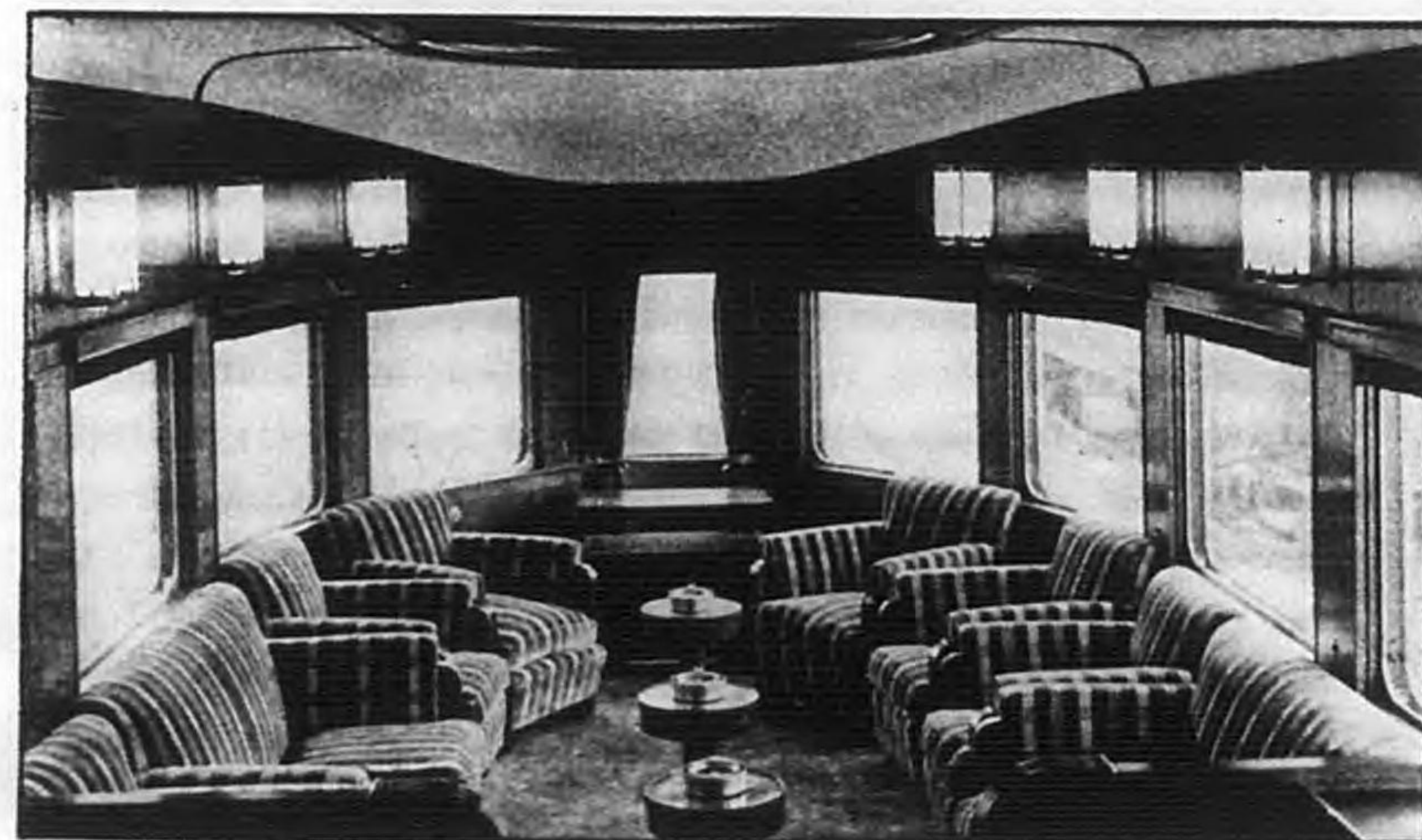
After the firm establishment of the customs administration, the Manchoukuo Government next directed its attention to the task of revising the customs tariffs as they constitute the most important sources of the State revenue. The tariff which was enforced in Manchuria in 1932 was the Chinese customs tariff enacted in January, 1931. It has been generally admitted that this Chinese system contains many inadequate and unreasonable points with regard to both rates and classification as the rates are so high that they seem to be prompted by an idea of "an anti-foreign motive or discrimina-



"Asia," the Stream-lined Super-express of the South Manchuria Railway



The Beautifully Appointed Dining Car of "Asia"



The Air-conditioned, Noise-eliminated Observation Car of "Asia"



tion." Many of them are also so high "as to be in the nature of protection in spite of the fact there exists no industry in this country requiring such protection." Under such an unjust system, the ordinary people were the ultimate sufferers from the cost of their daily necessities. The Manchoukuo authorities, therefore, seriously studied the question of tariff revision and, as a result, promulgated the Law Relating to Partial Revision of Import and Export Duties on July 22, 1933, and made it effective on the following day.

The first revised tariff thus promulgated (See Fourth Report, Appendix No. 16) was a partial revision of the former Chinese tariff on 35 import goods as "an interim measure pending the contemplated general revision" which will require several years to complete. In this task, the authorities followed the following six general policies: (1) to avoid any revision which will lead to a decrease of national revenues; (2) to avoid modifications involving mere matters of formality; (3) to avoid disparity in the general rates on articles; (4) to refrain from modifications of rates designed to maintain and equilibrium with the consumption tax; (5) to relieve the tax burdens of the people to the widest extent possible; and (6) to raise duties on "articles which are deemed to be flexible in bearing tax burdens" to cover the possible decrease on the customs revenues. The reduction of tariffs intimated under the fifth general policy, however, concerned only those rates (1) which are so high as to have an anti-foreign taint or discrimination, (2) which are so high as to be in the nature of protecting non-existent industries, (3) on articles of daily necessities whose importation is prevented due to excessively high duties, (4) on articles which are deemed essential to the development of industries within the country, and (5) on building materials which are indispensable in the construction works in the country.

It was soon discovered that further *ad interim* revision is necessary and the Second Revised Import and Export Tariffs were promulgated on November 14, 1934 (For the text, see Appendix III, No. 2). The second revisions were carried out in accordance with certain principles of which the more important were the following: (1) to effect a proper balance between *ad valorem* and specific duties, especially in relation to cotton goods, thus raising the *ad valorem* duties on cotton piece goods from 12-12.5 per cent. to 17.5-25 per cent. as the specific duties amount to 20-50 per cent.; (2) to lower the duties on certain goods with a view to realizing tariff as a source of revenue and not as a protective



measure: (3) to harmonize with the national industrial policy by introducing new protective duties on such articles as wheat and flour and revising duties on such articles as automobiles, tires, scrap irons, agricultural implements, and others; (4) to raise import duties on goods which were formerly subject to internal consumption tax in view of the gradual abolition or lowering of the latter, thus raising duties on such articles as cigarettes and cement; (5) to readjust the classification of certain goods so as to avoid doubtful interpretation; and (6) to readjust export duties with a view to encouraging export of certain goods, thus abolishing export duties on such goods as wool, meat, coal, and several others. These revisions covered 118 import goods and 23 export goods.

These two revisions were both *ad interim* measures and more fundamental revisions are now progressing at Hsinking. The chief features of the third revisions are reported to be (1) a general revision of specific and *ad valorem* duties with due consideration of the value of currency and fluctuations of prices of merchandise either for export or import, (2) rationalization of exorbitantly high import duties on certain goods, the imposition of which is tantamount to embargo, (3) re-classification of many goods on the tariff list, and (4) a drastic lowering of export duties with a view to their complete abolition in the future. On the whole the general policy of making the tariff a chief source of national revenue is being worked out carefully. The revised tariff is promised within the year.

### 13 Reform in Salt Administration

Salt has been recognized for years as an important source of government revenue in China and its administration has become associated with all manners of abuses and corrupt methods. Manchuria was no exception to that rule. The war-lords completely disregarded the general welfare of the masses and freely raised the gabelle as well as the salt price whenever they needed an additional revenue. The gabelle rate in 1927, for instance, was twice as high as that of 1926. Moreover, they paid no attention to the rehabilitation of salt-fields, the relief of salt manufacturers, the increase of salt output, or the improvement of the quality of salt. In addition, there were various different salt taxes, a sort of salt-collection "tricks" which caused continued controversies, and the corruption of officials themselves, causing evil practices of all descriptions. Thus, although the salt system of Fengtien Province

has been often regarded as the model system in the entire country of China, it was characterized by a hopeless maladministration just the same. Necessarily, the Manchoukuo Government had inherited in its salt administration a deep-rooted evil, decidedly one of the most difficult problems of reform.

The Manchoukuo Government first of all announced a three fold policy in assuming the control of the salt administration: (1) to lighten the burden upon the people and foster national power; (2) to encourage the salt manufacture and augment the profit of salt manufacturers; and (3) to regulate the national finance in such a way so as to limit the annual salt revenue to 25 million yuan. The reforms in the salt administration have been progressing slowly in line with these general principles.

The Manchoukuo Government first of all took over the supervision of the salt administration by entrusting it to the Salt Gabelle Section of the Bureau of Revenue in the Department of Finance. Realizing the folly of sudden changes in the salt administration, however, the Government decided to continue and gradually readjust the existing system of dual salt administration, the free-trade system in the former Fengtien and Jehol Provinces and the monopoly system in the former Kirin and Heilungkiang Provinces. Thus, two local salt administration organs were created under the Salt Gabelle Section, namely, the Salt Administration Office and the Ki-Hei Salt Transportation Office, respectively for the purpose of taking over the salt revenue administration and the salt monopoly administration.

The Salt Administration Office is located at Yingkou. Its duty is to control the manufacture and sale of salt, to collect gabelle, to exercise surveillance over smuggling, and to attend to allied activities in the territories covered by former Fengtien and Jehol Provinces. Under the supervision of this Office, there are six Salt Administration Bureaux which are located in leading salt producing districts. Again, under these Bureaux, there are nine Salt Examination and Patrol Stations. These Stations, not only supervise the manufacture and sale of salt and patrol salt depositories, but also exercise strict surveillance over illegal salt and inspect salt in transport. At Chihfeng, in Jehol Province, there is a special branch office of the Salt Administration Office entrusted with the business of (1) purchasing Mongolian salt, (2) distributing sea salt, (3) keeping watch over illegal salt, and (4) other general salt administration activities in Jehol Province. Several sub-offices are established under this office to track down illegal salt.



The Ki-Hei Salt Administration Office is located at Hsinking. It enforces the salt monopoly and oversees illegal salt within the territories of the former Kirin and Heilungkiang Provinces. This Office maintains the Salt Transportation Bureau at Yingkou to purchase, store, and transport salt, and thirty-six Salt Depositories and eight Salt Agents to distribute salt to licenced salt dealers. In Chientao Province, there is the Chientao Salt Patrol Bureau with twenty-nine Salt Patrols for the special purpose of surveilling over illegal salt. Besides, there is the Hailar Salt Transportation Bureau which supervises the manufacture, transportation, and distribution of salt obtained from the lakes.

The salt administration organs having been thus established and completely centralized, the Government has abolished all abusive practices of the by-gone days. It also abolished the salt manufacturing surtax and the salt distributing surtax. Moreover, on the occasion of the inauguration of the Imperial Rule, the gabelle was reduced by 30 fen per picul on and after March 1, 1934, and also the salt price in the former Kirin and Heilungkiang Provinces was reduced by 1 yuan per picul on an average. Furthermore, the Government has taken initiative in the following noteworthy activities: (1) low-interest loans to salt manufacturers for use in the salt manufacture and the rehabilitation of salt fields; (2) establishment of trade associations; (3) exportation of industrial salt; (4) improvement of the patrol system, especially the quality of patrolmen; and (5) annihilation of illegal salt.

Under this centralized salt administration, the Government controls and fixes the salt price throughout the country. In the districts where the monopoly system prevailed, maximum and minimum wholesale prices ex salt depository were fixed respectively at 11 yuan per 100 cutties for Heiho district and 8.8 yuan for Chientao district, thereby making the average wholesale price 9 yuan or thereabout. In the districts where the free trade system is continued, any one can open a salt shop upon obtaining a licence from the Salt Administration Office, and can transport salt from salt-fields and sell it in wholesale or retail by paying the required gabelle. Under this system, the retail prices of salt shops range from 22 yuan per picul at Antung Prefecture to 6.9 yuan at Yingkou Prefecture, the wholesale prices being 7-8 yuan on an average.

The general rates of gabelle, however, remained about the same as those prevailing in 1931 and the effect of reforms was felt more in the elimination of a number of salt taxes and corrupt practices followed by the collectors. Previous to the establishment

of Manchoukuo, the rates of gabelle ranged from 2.75 yuan per picul in 1925 and 4.00 yuan in 1926 to 8.00 yuan in 1927, 6.00 yuan in 1928, and 6.00 yuan plus a surtax of 0.30 yuan in 1931. During the first two years of the new regime, 1932 and 1933, the same rate of 6.30 yuan per picul was continued though a special rate of 5.00 yuan per picul was imposed upon the Mongolian salt. On and after March 1, 1934, a reduction of 0.30 yuan per picul was made, the rate on the sea salt becoming 6.00 yuan and that on the Mongolian salt 4.70 yuan. The salt gabelle revenues for the last four years are as follows:

SALT GABELLE, 1932-1936

Fiscal Years	Estimate	Actual
	Yuan	Yuan
1932 .....	16,814,000	18,820,308
1933 .....	20,249,000	20,543,102
1934 .....	21,249,000	22,029,715
1935 .....	8,888,000	8,759,079
1936 .....	23,848,000	—

As noted already, another noteworthy phase of the salt administration has been the encouragement given by the Government to the export of industrial salt. Owing to the phenomenal development of her chemical industry, Japan annually imports a considerable quantity of industrial salt. The Manchoukuo Department of Finance, therefore, repeatedly negotiated with the Tokyo Ministry of Finance with regard to the export of industrial salt to Japan. As a result, Manchoukuo exported 100,000,000 cutties to Japan in 1933 and 150,000,000 cutties in 1934. In 1935 nearly the same amount of export as that in 1934 was at first expected, but the authorities were forced to curtail the amount to 75,000,000 cutties owing to the unfavorable conditions resulting from the continuous rainfall and the rise in the price of silver. This new policy helped to resuscitate the Fuhsien salt fields, which were experiencing great difficulty in disposing of their output owing to their geographically unfavorable situation, as the authorities decided to export chiefly Fuhsien salt for industrial use.

Again, before the establishment of Manchoukuo, the authorities regarded the salt manufacturing as a lucrative objective of taxation and did nothing to encourage the industry, so much so that the salt industry in general was in a pitiable condition and many a salt field had stopped its operation in 1931. With the establishment of Manchoukuo, the situation was completely changed and the Government became instrumental in guiding and fostering the salt industry all



Texas Oil, 6 with the Soviet Naptha Syndicate, 7 with the Nippon Oil, 8 with the South Manchuria Railway, and 6 with other concerns, or 58 foreign and 21 Japanese.

While Manchoukuo was making these preparations, a rumor of the proposed Manchoukuo oil monopoly became widespread during the spring of 1934 and the British and American Embassies, unable to make an inquiry at Hsinking on account of their non-recognition policy, made an inquiry at the Japanese Foreign Office as early as July 2 and 7, respectively, at the same time submitting their views. The Tokyo Foreign Office made it clear that the Japanese Government had and could have nothing to do with the actions of the Hsinking Government in this case as Manchoukuo was an independent State and an oil monopoly was a purely domestic matter. In spite of this stand, the British, American, and Dutch Governments continued to protest directly to Japan. In these protests, they vigorously asserted that the Manchoukuo oil sale monopoly violated the Open Door principle, the observance of which was guaranteed in treaties and statements by both Japan and Manchoukuo, and that Japan could not evade the responsibility for action taken by Manchoukuo. However, the Tokyo Foreign Office stood firm in its contention and advised that the firms involved should negotiate directly with the Manchoukuo Government. Here was, indeed, an anomalous position for the Powers which opposed the recognition of Manchoukuo but desired to continue their commercial relations with her as before.

Closely related to the question of oil monopoly was the establishment on February 23, 1934, of the Manchuria Petroleum Company. The Company was authorized by the Order of the Manchoukuo Government, dated February 21, 1934, as a special Japan-Manchoukuo corporation for the purpose of exploiting the production of oil, refining as well as buying and selling of oil, and conducting related enterprises by order of the Government. It is to monopolize the refining of crude oil for the Government under the new monopoly policy. Its authorized capital is 5,000,000 yuan, of which 2,000,000 yuan was furnished by the South Manchuria Railway Company, 1,000,000 yuan by the Manchoukuo Government, and 500,000 yuan each by the Mitsubishi, Mitsui, Japan Petroleum, and Okura Companies. Its plants were built at Kanseishi and began operation in April, 1935. They have the capacity to refine some 120,000 tons of crude oil a year, but the operation is limited to about 5,000 tons a month now. It is also engaged in the investigation and prospecting of oil resources in Manchuria and its drilling

at Dalainor is being watched with hopeful expectation.

With these preparations, the Manchoukuo oil monopoly went into force on April 10, 1935. Its effect upon the foreign firms which almost monopolized the oil business in Manchuria in the past was disastrous. On the other hand, the result of experiences during the first year of its enforcement is most encouraging. The sale of oil under the monopoly began to increase from the middle of the summer and went over 8,000,000 yuan by the end of the year. At the same time, the forced disposal of overstocks of gasoline by the foreign firms helped to lower the price of gasoline throughout Manchuria, realizing 34 sen per ballon by September, probably the lowest price in the world. The increased sale during the first two months of 1936 points to a prosperous year ahead, enabling a possible total sale of over 20,000,000 yuan during the year.

The successful initiation of the oil monopoly policy thus assured, the Government is now studying various means of expediting the whole enterprise. Among such plans may be mentioned the increased production of oil from oil shales to supplement the oil production of the Manchuria Petroleum Company, the augmentation of the number of wholesale dealers, the promulgation of new regulations for the purpose of perfecting the machinery of supervision, and the increased production of the Manchuria Petroleum Company.

### 15 Readjustment of Opium Monopoly

The Manchoukuo Government have taken steps toward a solution of opium evil which had been rampant in Manchuria for over a century as in the China proper. Although there were laws and regulations controlling opium traffic and prohibiting opium smoking under the former regime, opium was cultivated openly under official licences, with a special tax on poppy-land, particularly in Heilungkiang and Jehol Provinces, while opium smoking and transportation were openly admitted also under licence and tax. It was estimated that the aggregate revenue of the four provinces from opium under the old regime amounted to over 100,000,000 silver dollars, most of which was utilized for financing Marshal Chang Hsueh-liang's participation in the civil wars in China.

The Opium Monopoly Bureau of the Manchoukuo Government was created on November 3, 1932, and the Opium Law was promulgated on November 30, 1932. The fundamental purpose of these measures is to check gradually the opium traffic and opium smoking by a rationing system, as has been successfully done by the Japa-



### III CONSTRUCTION ACTIVITIES

#### 16 General Survey of Construction Activities

Construction is the synonym of Manchuria today. Nowhere else in the world is going on such an extensive range of construction and building activities as in Manchuria. Up to and through 1931, the constructive activities in Manchuria were nominal. The Manchurian Incident of 1931 and the emergence of Manchoukuo in 1932, however, changed the whole outlook in this field as well as in other spheres. In fact, the establishment of Manchoukuo and her steady growth since gave a new lease of life in Manchuria, while the new order of things required, above all else, a tremendous amount of construction and building activities, thus producing a veritable "Manchurian Boom" after 1932.

The construction activities in Manchuria reached the peak around 1918 and 1919, with an annual building of something like 20,000,000 yen. They then gradually declined until the amount was reduced in 1931, according to the figures compiled by the Manchuria Building and Construction Association, to 10,853,000 yen. The volume of activities then steadily grew to 28,867,000 yen in 1932, 104,078,000 yen in 1933, 154,633,000 yen or all-time record in 1934, and 145,449,000 yen in 1935. The following two tables clearly indicate the distribution of figures according to the sources of such activities between 1930 and 1935, and the number of labor used during 1932-1935.

#### A. CONSTRUCTION ACTIVITIES, 1930-1935. (In 1,000 yen)

Sponsors	1930	1931	1932	1933	1934	1935
S. M. R. ....	6,747	3,747	15,569	55,610	64,896	42,597
Kwantung Gov't ..	801	492	805	3,440	2,747	6,662
Manchoukuo ....	—	—	1,636	9,035	19,798	14,014
Kwantung Army ..	—	—	2,750	13,961	18,865	13,547
General .....	7,659	6,294	8,107	22,032	48,327	68,629
Total .....	14,808	10,853	28,867	104,078	154,633	145,449

#### B. CONSTRUCTION LABOR, 1932-1935

Years	Chinese Immigrant	Manchurians Employed	Japanese Employed	Chosenese Employed	Total
1932 .....	33,632	35,737	1,499	877	71,767
1933 .....	96,095	102,107	4,283	2,570	205,055
1934 .....	137,339	146,867	5,059	3,672	292,937
1935 .....	118,964	130,772	5,614	2,968	258,318

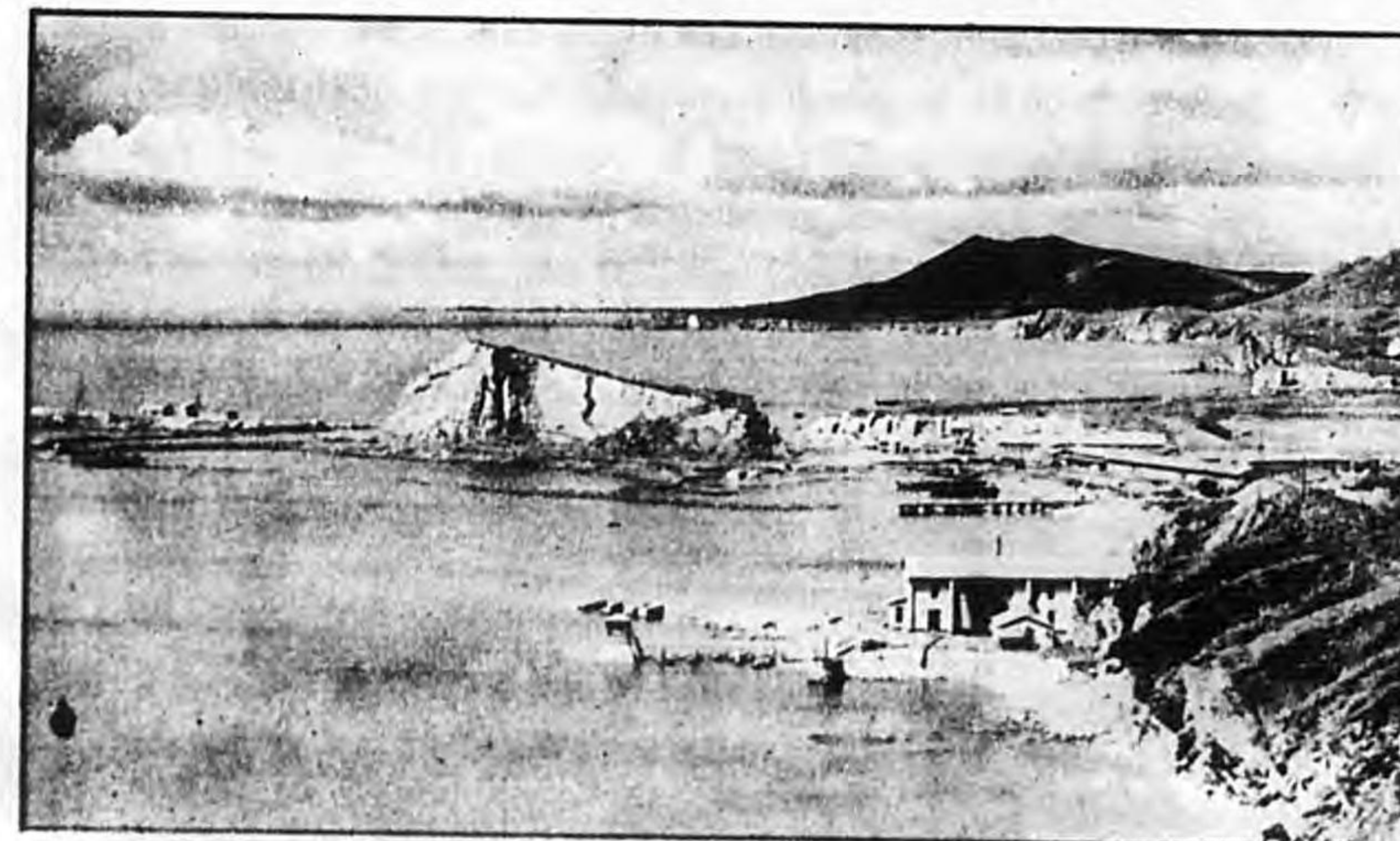
For these extensive construction activities in 1935, 518,000 tons



A Scene of the Railway Construction Work



A Scene of the Highway Construction Work



The Harbor Construction Work at Hulutao



of cement, 670,000,000 bricks, 15,000 carloads of lumbers, and 315,000 tons of iron and steel materials were estimated to have been used.

## 17 Railway Constructions

The Manchoukuo Government early realized the importance of railways in the further development of national resources and in connection with national defence, and decided to build new railway lines on the basis of a carefully studied and rational program. The general scope of such a program was announced on March 1, 1933, in the "General Outline of the Economic Construction Program of Manchoukuo." It envisaged the country with 25,000 kilometres of railways in the future and announced the proposed building of 4,000 kilometres of new lines within the next ten years, making a total of 10,000 kilometres by adding the existing lines.

In line with this general policy, the Manchoukuo Government entrusted the task of building new lines to the South Manchuria Railway Company. The first series of new lines, of which the contract was let in March, 1933, included the Lafa-Harbin Line, the Taitung-Hailun Line, and the Tunhua-Tumen Line and involved a fund of about 100,000,000 yen. The next group concerned the Tumen-Mutanchiang Line, the Koupeiyingtzu-Lingyuan Line, and the Peian-Tierhchan Line, which contract was let in December, 1933, at an estimated cost of 76,900,000 yen. The third contract for the construction of seven new lines, namely, the Mutanchiang-Chiamussu Line, the Lingyuan-Chengte Line, the Yehpaishou-Chihfeng Line, the Tierhchan-Taheiho Line, the Hsinking-Talai Line, the Talai-Taonan Line, and the Huiyuanchen-Solun Line, was let in April, 1934, at a total estimated cost of 141,420,000 yen. The fourth contract for Mishan-Hulin and five other lines was announced in December, 1935, for a total estimated cost of 85,000,000 yen.

For the exclusive purpose of undertaking these railway construction activities, the South Manchuria Railway Company established on March 1, 1933, the Railway Construction Bureau with its headquarters at Dairen and branch offices at Hsinking, Harbin, Tsitsihar, and Rashin. The additional branch offices were opened from time to time in accordance with the need created by the expanding radius of new lines at Tumen, Mutanchiang, Peian, and Paichengtzu.

The difficulties which the South Manchuria Railway Company had to face in the construction of railway lines in the outlying places of the country were beyond description. The chief sources of such



difficulties were bandit attacks, insect hordes in some parts, floods, local diseases and plagues, and heat and cold. However, the construction work proceeded steadily upon the remains of scores of lives, and, between 1932 and 1935, the Company successfully financed and built almost 3,000 kilometres of new railway lines. The following diagram gives the general summary of these enormous construction activities which were packed into such a short period of time.

#### RAILWAY CONSTRUCTION IN MANCHURIA, 1932-1936

##### A. New Railway Lines Built, 1932-1936

Lines	Length in Kms.	Work Started	Work Finished	Opened to Traffic
Tsian-Koshan	46.4	June 15, 1932	Jan. 31, 1933	Dec. 1, 1933
Hailun-Koshan	162.2	June 11, 1932	Nov. 24, 1933	Dec. 1, 1933
Laha-Nobo	38.8	Mar. 17, 1933	Oct. 24, 1933	Dec. 1, 1933
Tsunhs-Tumen	189.9	May 12, 1932	Apr. 18, 1933	Sept. 1, 1933
Chaoyangchuan-Kaishantun	58.4	Nov. 16, 1932	Mar. 13, 1934	Apr. 1, 1934
Lafa-Harbin & Branch	233.7	June 25, 1932	Dec. 8, 1933	Sept. 1, 1934
Koupeiyingtzu-Lingyuan	156.8	Apr. 15, 1933	Apr. 8, 1934	Dec. 1, 1934
Lingyuan-Pingchuan	87.2	Oct. 1, 1933	Dec. 3, 1934	Jan. 15, 1935
Pingchuan-Chengtse	97.4	Apr. 28, 1934	Feb. 9, 1936	June 16, 1936
Tumen-Mutanchiang	243.7	June 15, 1933	Dec. 8, 1934	July 1, 1935
Mutanchiang-Poli	196.9	Mar. 12, 1934	Dec. 16, 1935	July 1, 1936
Linkou-Mishan	183.0	May 8, 1934	Sept. 11, 1935	July 1, 1935
Hsinking-Talai	213.5	Mar. 8, 1934	Feb. 28, 1935	Nov. 1, 1935
Paichengtzu-Talai	119.0	Apr. 21, 1934	June 30, 1935	Nov. 1, 1935
Wangyehmiao-Halmarsan	238.7	Apr. 1, 1934	Nov. 16, 1935	July 1, 1936
Peian-Heiho & Branch	307.1	June 17, 1933	Apr. 12, 1935	Nov. 1, 1935
Yehpaihoo-Chihfeng	146.9	Mar. 28, 1934	June 25, 1935	Dec. 1, 1935
Sepingkai-Hsian	82.5	Mar. 12, 1935	Nov. 25, 1935	*Dec. 15, 1935

\* Unofficial operation.

##### B. New Railway Lines under Construction

(As of June 1, 1936)

Lines	Length in Kms.	Work Started
Mishan-Hulin	165.0	Feb. 19, 1935
Poli-Chiamussu	135.4	Aug. 24, 1935
Shalitan-Ichou	131.6	June 12, 1935
Nobo-Nenchiang	91.0	Dec. 23, 1935
Meiho-Tunghua	131.7	Feb. 24, 1936
Taipingchuan-Lupe	192.3	Mar. 31, 1936

## 18 Extension of Highways

The roads in Manchuria are quite undeveloped and primitive. Those which were more or less available for motor traffic in 1932 totaled only 13,000 kilometres, while those which were specially built for modern motor transportation purposes and which may be

called highways in the most modern sense of the term amounted to less than 150 kilometres. This state of affairs was largely due to the indifference of the Government in this matter. Necessarily, where there are no railway facilities, rivers played an important role in solving people's general traffic problems. In most part of Manchuria, moreover, grounds as well as rivers are frozen about five months of the year and "roads" are found everywhere.

With the establishment of Manchoukuo, a new era of highway construction dawned before Manchuria. The Manchoukuo Government early realized the need of modern highways in connection with its program of general industrial development, maintaining peace and order, and spreading the light of civilization. It thus adopted a national policy of newly constructing or improving 60,000 kilometres of motor roads within the next ten years. This program includes 12,500 kilometres of first class roads connecting the capital with chief cities or ports, 12,500 kilometres of second class roads between chief cities, and 35,000 kilometres of third class roads between Hsiens. For the realization of this policy, the Government established on March 3, 1933, the State Highway Bureau at Hsinking and the Highway Construction Offices at Hsinking, Mukden, and Tsitsihar.

The work of surveying and constructing these new state highways was actually started in March, 1933, with an appropriation of 15,000,000 yuan, being one-half of the national bonds floated in Japan in the autumn of 1932. By the end of June, 1935, 58 state highways aggregating 6,804 kilometres were completed and others involving some 2,018 kilometres were under construction to be completed by the end of 1936. The Manchoukuo budget for 1936 includes 8,255,705 yuan for this work. It is over these newly constructed state highways that the new net work of expanding bus lines as noted elsewhere (See below, Section 24) is being developed.

There are some 182 kilometres of motor roads in the Kwantung Leased Territory and 486 kilometres in the S. M. R. Zone.

## 19 Construction of Rashin and Hulutao Harbors

The port of Dairen is a premier port in the Far East and the leading port of entry into Manchuria. Yingkou, Antung, and Port Arthur also serve as auxiliary harbors in South Manchuria. However, the expanding radius of Manchoukuo State Railways necessitated additional outlets to sea and two ports are now under construction, namely, Rashin and Hulutao.



### (1) Port of Rashin

Rashin is situated in the north-eastern corner of Chosen, but it is designed to form the future outlet to sea of North Manchuria through the Tumen-Chiamassa Line, the Tumen-Hsinking-Paicheng-tzu-Haimarshan Line, and the Tumen-Lata-Harbin-Helino Line. It was designated officially by the Department of Colonial Affairs as the terminus of those lines in May, 1932, and the gigantic task of constructing a modern port on an erstwhile quiet fishing village and of connecting it with Yuki by a railway was entrusted by the Government General of Chosen to the South Manchuria Railway Company. To the same Company was also entrusted the management of the "C" shaped railway between Seishin and Yuki, connecting with Tumen at Nanyo. And thus the South Manchuria Railway Company incorporated this responsible task into the regular program of its Railway Construction Bureau.

The plan as finally adopted for the construction of the port of Rashin is a most far-reaching one. It projects the completion by 1947 of most modern facilities for the handling of some 9,000,000 metric tons of cargo a year. One-third of this project, including all foundation works, is to be completed by 1937 at an estimated cost of 11,206,000 yen, the next one-third by 1942 at 11,139,000 yen, and the last one-third by 1947 at 11,487,000 yen.

The first leg of this three-fold project was started on April 28, 1933. By the end of 1935, a portion of the first pier, affording two berths, was completed and officially opened on November 1, 1935. By the end of 1936 five berths are reported will be completed. The work on the Yuki-Rashin Railway, a short line of 15.2 kilometres but involving the difficult drilling of a tunnel extending 3.8 kilometres, was started on April 1, 1933, and completed and officially opened to traffic on November 1, 1935.

The construction of the port of Rashin thus begun is believed to revolutionize the transportation facilities in North Manchuria and to enliven the shipping activities over the Japan Sea. The distance between Tokyo and Harbin via Shimonoseki and Dairen is 2,208.9 kilometres, that via Tsuruga and Vladivostok is 2,194.8 kilometres, and that via Niigata and Rashin is 1,946.1 kilometres. Rashin thus shortens the Tokyo-Harbin distance by 1,265 kilometres as compared with the Dairen route and 249 kilometres, with respect to the Vladivostok route. For the same reason considerable improvements are also being made at the port of Yuki and Seishin.

### (2) Port of Hulutao

The port of Hulutao as a Manchurian outlet to sea has a long history and its construction was actually projected no less than three times in the past, in 1908, 1920, and 1930. In its last attempt in 1930, Marshal Chang Hsueh-liang planned to make it a chief outlet for the Manchurian railways and let the contract to a Dutch construction firm. The project involved the construction of piers with 1,535 metres of berthing length before 1935 for 6,000,000 gold dollars. The work was started in July, 1930, but finally abandoned as a result of the Marshal's downfall in 1932.

When the Manchoukuo State Railways were entrusted to the South Manchuria Railway Company, the General Direction of State Railways took charge of them and started to improve the pier in June, 1934. Before this work proceeded very far, a new project was evolved for a more rational improvement of the harbor. The new project involves the construction of two piers, aggregating almost 800 metres in combined length, a break-water, and other necessary improvements at an estimated cost of about 16,000,000 yen. The work was actually started in April, 1936, and will be completed by March, 1939. The projected improvement is undertaken to facilitate the handling of Fuhsin coal and also to stimulate the general development of western South Manchuria. The improvement will be carried out by the South Manchuria Railway Company.

## 20 City Construction Works

The establishment of Manchoukuo and the expansion of railway and highway transportation facilities have stimulated the growth of cities all over Manchuria. Not only have the old cities grown with leaps and bounds but new cities have sprung up, especially at the railway junctions in North Manchuria, such as Peian, Paichengtzu, and Mutanchiang.

Most phenomenal has been the expansion of Hsinking, the new capital of Manchoukuo. A modern city-planning, designed to transform the city into a great metropolis befitting the capital of the new State, has been evolved and, since 1932, is gradually being carried out on an extensive scale by the Capital Construction Bureau of the Government. The new capital construction area centers around Kaotaitzu, south of the present Hsinking station, and extends north and south in a rectangular form with a total area of some 200 square kilometres. Of this area, one-half has



been set aside for various construction projects for the time-being and has been divided into residential, business, industrial, and special districts, within which official permission is required for all constructions and establishments. The city is divided by streets radiating from various central circles, each embodying certain features of a park and giving a scenic and artistic appearance. Among the public establishments projected, the more important are various Government buildings, parks, athletic fields, schools and libraries, museums and public halls, zoological and botanical gardens, public markets, water supply system, and modern sewage system. A great reservoir, holding 27,700,000 cubic metres of water and capable of supplying over 40,000 tons daily, has been already built in the basins of the Hsiao and Tai Rivers. In this gigantic work, the Capital Construction Bureau had expended 19,458,000 yuan between 1932 and the closing months of 1935. Before 1932, the city area, including the S. M. R. Zone, the Open Mart, the native town, and Kuanchengtzu, totaled only 21 square kilometres; at the end of 1935, it has grown into a great metropolis of over 100 square kilometres. During 1935, the private contracts for various construction works totaled 1,301 cases involving 24,586,000 yen and the Government contracts 1,203 totaling 16,102,000 yen. A new Metropolis is thus rising upon what was merely a series of insignificant farms four years ago.

A similar construction work, though smaller in scale, is progressing in almost all leading cities of Manchuria. The city planning committee of Mukden is pushing its building program vigorously to enlarge the city area from the present 28 square kilometres, including the S. M. R. Zone and the Open Mart, to 206 square kilometres. Harbin will eventually have an area of 250 square kilometres or thrice the present size when the city planning projects are completed. The 30-year plan which was adopted in the spring of 1925 calls for an expenditure of 265,000,000 yen. Already the new plan is laid out, roads are extended into the suburban districts, and land has been set aside for parks, playgrounds, and large public buildings. Looking forward to an industrial expansion, the east and west portions of the city are designated as districts for heavy and light industries respectively. Similar expansion work has been and is still progressing in almost all leading cities. Especially noteworthy have been the building activities in such cities as Tsitsihar, Hailar, Peia, Nanchang, Yumen, Anshan, and Dairen. The following figures show the comparative increase of building and construction activities in and near the leading cities of Manchuria be-

tween 1930 and 1935:

BUILDING AND CONSTRUCTION ACTIVITIES BY CITIES  
(In 1,000 Yen)

Localities	1930	1931	1932	1933	1934	1935
Dairen & Vicinity . . . .	7,567	6,200	2,815	13,239	17,590	19,298
Anshan & " . . . .	569	300	300	3,628	6,133	4,354
Fushun & " . . . .	1,515	970	558	1,292	2,354	2,878
Mukden & " . . . .	1,813	1,677	4,771	14,413	20,523	18,245
Antung & " . . . .	896	701	631	1,447	954	2,300
Hsinking & " . . . .	1,224	755	6,797	16,210	33,265	40,688
Harbin & " . . . .	—	—	—	3,566	11,249	14,590



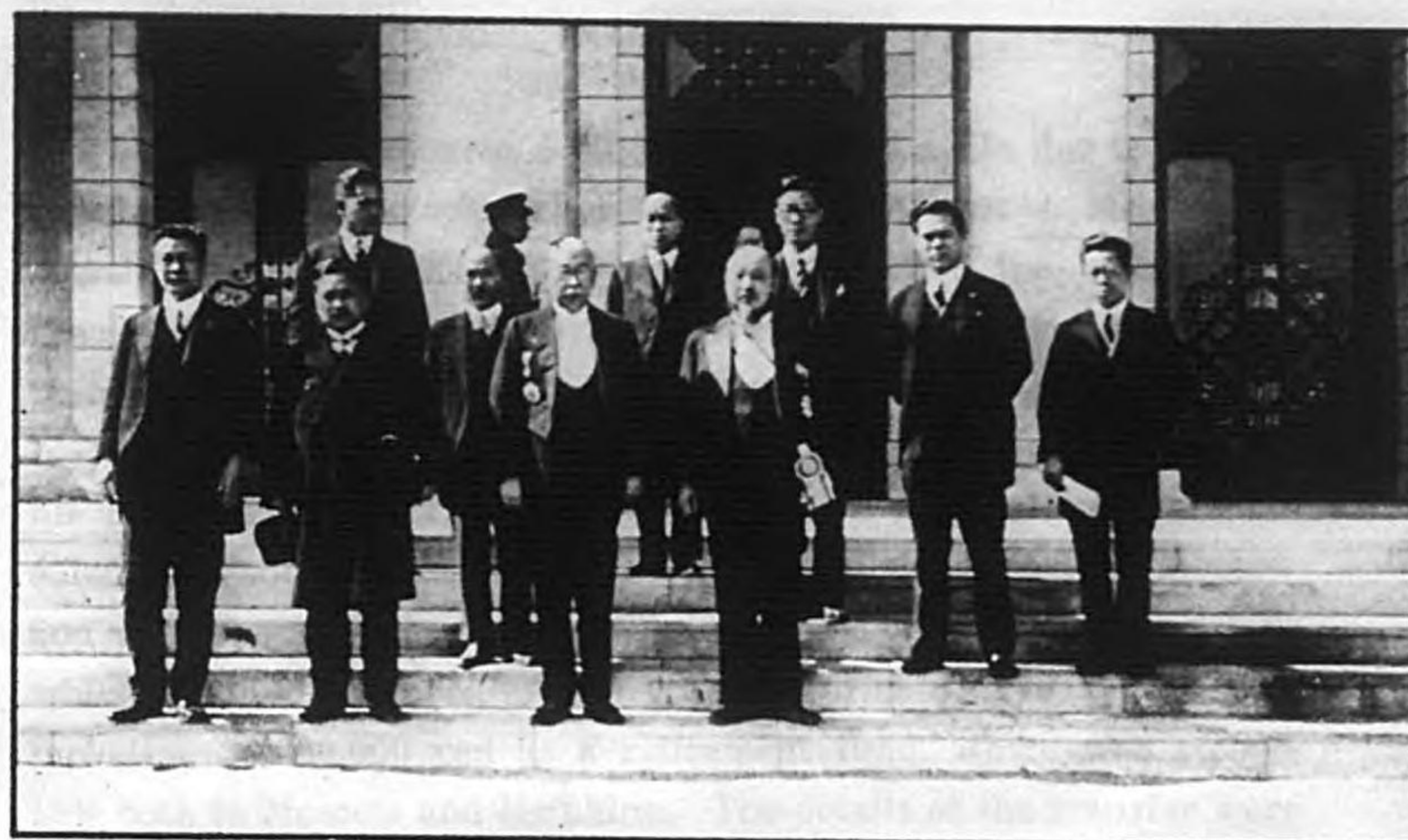
## IV TRANSPORTATION AND COMMUNICATION

### 21 North Manchuria Railway Transfer

#### (1) *The Negotiations*

The transfer of the Soviet interest in the North Manchuria Railway, erstwhile the Chinese Eastern Railway and renamed after the establishment of Manchoukuo, was one of the most important events of the period under review. It meant the official exit of the Soviet Union from North Manchuria and the passing of the last vestige in Manchuria of the Russian imperial dream for a Far Eastern Empire. It signified, under the international law, the Soviet recognition of the Government of Manchoukuo. It signaled the last step toward the unification of all railways in Manchuria other than the South Manchuria Railway. It also ushered in a new era of railway transportation in Manchuria by assuring the eventual through-train service between Dairen and Harbin.

The proposal for the sale of the North Manchuria Railway was first officially made by Moscow to Tokyo on May 2, 1933. Foreign Minister Count Uchida replied on May 29 that Manchoukuo would be the proper body to buy the line and that Japan is prepared to offer her good offices to materialize such negotiations. The preparations progressed smoothly and the negotiations were opened at Tokyo between Lieutenant-General Tinge Shih-yuan, the Manchoukuo Minister to Japan, assisted by Mr. Chuichi Ohashi, the Vice-Minister for Foreign Affairs at Hsinking, and M. Constantin Youreneff, the Soviet Ambassador to Tokyo. The Soviet offer centered around the transfer price of 250,000,000 gold roubles which was countered by the Manchoukuo proposal of 50,000,000 yen. The Soviet offer was based upon the claim that 411,000,000 gold roubles had been invested in the Railway, making it 210,000,000 gold roubles by allowing for depreciation and decreased economic importance, plus 40,000,000 gold roubles for railway and forest areas. Manchoukuo contended that the Railway could be duplicated with a new line at a cost of 130,000,000 yen, that therefore the line was worth half of this sum due to its discrepant condition, that the Soviet Union owns only a half interest which makes the price 32,500,000 yen but that Manchoukuo is willing to pay 50,000,000 yen out of courtesy to Moscow.



S.M.R. President Hayashi and Minister of Communications Ting Leaving for the North Manchuria Railway Transfer Ceremony



The North Manchuria Railway Passes from the Soviet Hands to Manchoukuo



Changing the Gauge of the Hsinking-Harbin Line



The negotiations were deadlocked time and again due to the tremendous gap in the two prices offered. By August 4, Moscow reduced the offer to 200,000,000 gold roubles but the negotiations reached a complete impasse by the middle of September. Mr. Hirota then became Japan's Foreign Minister and wisely capitalized upon his experiences at Moscow to expedite the negotiations. Through his harmonizing interposition, therefore, the negotiations were resumed in February, 1934. Yet the price gap still separated Moscow and Hsinking. Then followed the Hirota-Youreneff conversations which resulted in reaching the transfer price of 170,000,000 yen, including 30,000,000 yen as a retirement fund, which was acceptable both to Moscow and Hsinking. The details of the transfer were then rapidly arranged and the agreement was signed at Tokyo with a gala ceremony on March 23, 1935.

Under this Agreement (See Appendix III, No. 6) the Soviet Union transferred its share in the North Manchuria Railway for 140,000,000 yen and Manchoukuo agreed to pay an additional sum of 30,000,000 yen as retirement allowances. One-third of the price was to be paid in cash and the balance in goods, while the transfer of the Railway and its appurtenances was to be effected on the date of the signature and the dismissal of the Soviet employees was to take place upon three-months notice. The Japanese Government, in the Hirota-Youreneff Note, undertook to guarantee the exact fulfilment by the Manchoukuo Government of "all the obligations of payment, in money as well as in goods", while the Hirota-Tinge Note explained that such a guarantee was given in compliance with the wishes of the Soviet Union "in view of the close and special relations existing between Manchoukuo and Japan".

#### (2) *Management of the Railway*

The Manchoukuo Government, under the contract signed on March 23, 1935, entrusted the management of the newly acquired line and its affiliated enterprises to the South Manchuria Railway Company. The contract specified the following points:

(1) That the Manchoukuo Government entrusts the South Manchuria Railway with the management of the North Manchuria Railway.

(2) That the redemption and payment of interest on the South Manchuria Railway bonds issued by the Manchoukuo Government and also of loans which may be made by the South Manchuria Railway Company to the Government of Manchoukuo in respect of the North Manchuria Railway shall be made out of



profits derived from the management so entrusted.

(3) That the property and gross income of the North Manchuria Railway shall be made the security for the principal and interest of loans, which may be made by the South Manchuria Railway Company. In case the Manchoukuo Government gives the property and the gross income of the North Manchuria Railway as the security for North Manchuria Railway bonds referred to in (2) the said security right shall have priority over the security right for the principal and interest of any loans made as mentioned in (2) by the South Manchuria Railway Company. It is further provided that without the consent of the South Manchuria Railway Company neither the property nor the gross income of the North Manchuria Railway can be made the security for any purpose other than those referred to in this paragraph.

(4) That the South Manchuria Railway Company shall deal with the enforcement and payment of the credits and debts hitherto existent.

The South Manchuria Railway Company, having reached the general understanding previously, took steps to close its offices in Harbin and caused the General Direction of Manchoukuo State Railways to enlarge its Harbin Office considerably for the purpose of meeting this added task. At the same time, the Company's resources of experience and man power were fully mobilized to effect a smooth taking over of the entire lines on the date of the transfer. Thus, on March 23, 1935, the arrangement to assume the added responsibility was complete and the official transfer was made in an elaborate ceremony at Harbin. And the historic shift in the management of the North Manchuria Railway was effected throughout its length of 1,778 kilometres without a least interruption in its traffic movement, which in itself was a marvellous accomplishment.

The internal condition of the North Manchuria Railway was far from being satisfactory. Not only were the lines and rolling stocks discrepant and obsolete in every sense but the internal affairs of the Railway were in a most confusing state and the smooth running of the entire system required a slow procedure. Especially troublesome was the settlement of various claims which were pending at the time of the transfer. Some idea of this problem may be discerned from the fact that there were pending no less than 1,374 cases, mostly civil, involving some 18,000,000 yuan. The General Direction has taken and is still taking studied steps for a complete renovation of the lines so as to raise them to the same

level of efficiency as that of the other State Railways and to clear all claims in a most impartial manner. All of these works are now slowly progressing.

The lines thus taken over were immediately divided into three main sections and renamed the Hsinking-Harbin Line, the Harbin-Manchouli Line, and the Harbin-Suifenhao Line.

### (3) Readjustment of Freight Rates

The General Direction soon had to face the difficult problem of readjusting the old high freight rates. The freight rates of the North Manchuria Railway were graduated according to the distance, making Vladivostok the radiating pivot. Thus the entire system was divided into three classes, namely, local traffic, through traffic with the S. M. R. Lines, and through traffic with the Ussuri Railway lines, respectively divided into 19, 35, and 10 sections. Moreover, the rates for the through traffic with the S. M. R. Lines were based upon a most complicated system of rouble-yen exchange and often arbitrarily fixed, causing much inconvenience and trouble to the shippers. In order to relieve such a situation and to make the rates conform to those prevailing over the State Railways, the General Direction decided to take a momentous step to lower the rates, knowing very well a consequent loss of more than 5,000,000 yuan in revenues. The following tables indicate the drastic lowering of rates thus undertaken:

#### A. COMPARATIVE RATES OF PRINCIPAL COMMODITIES (per kilo-ton for car-load handling)

Commodities	Former N.M.R.		State Railways		
	Local Traffic	Through Traffic with S.M.R.	Hsinking-Tumen Line	Mukden-Shanhaikuan Line	Others Including N.M.R.
	fen	fen	fen	fen	fen
Grains, Seeds .....	6.1	6.2	3.0	3.3	3.5
Bean Cakes .....	5.4	5.5	3.0	3.3	3.5
Lumber .....	3.6	3.7	3.0	3.3	3.5
Cotton Goods .....	24.1	26.8	4.0	4.2	4.5
Hemp Socks .....	13.2	13.3	3.0	3.3	3.5
Sugar .....	13.2	20.1	4.0	4.2	4.5
Fruits .....	15.3	13.3	3.0	3.3	3.5
Oil .....	17.9	18.7	5.0	5.2	5.5

Note: As the basis for the former N.M.R. is the gold rouble, the local rate is computed @130 yuan and the S.M.R. through traffic rate @160 yuan.

#### B. HSINKING-HARBIN RATES

(in Manchoukuo yuan per ton)

Commodities	Classification	Old Rates	New Rates	Comparison
Cotton Goods ...	Small Handling	57.94	13.86	-44.08
	Car-load Handling	Not Handled	11.15	-46.79



Commodities	Classification	Old Rates	New Rates	Comparison
Fresh Fish	Small Handling	57.94	11.45	-46.49
	Car-load Handling	Not Handled	8.74	-49.20
Salt	Small Handling	57.94	13.86	-44.08
	Car-load Handling	Not Handled	11.15	-46.79
Iron Products	Small Handling	42.93	11.45	-46.49
	Car-load Handling	Not Handled	8.74	-49.20
Grains	Small Handling	21.78	11.45	-10.33
	Car-load Handling	14.59	8.74	-5.85

Note: Gold Ronbie of the former N.M.R. @130 yuan.

#### (4) Transportation of Retiring Soviet Employees

At the time when the North Manchuria Railway was transferred to Manchoukuo, there were 17,071 employees. Of these 10,176 were Manchurians, 6,027 were Soviet Russians, and 868 were White Russians. Under the terms of the Transfer Agreement, the Soviet Russians were to retire from service upon three months' notice and to return to the Soviet Union. Naturally, the problem of transporting these retiring Russians and their families which numbered over 14,000 was another important and exceedingly delicate task which the authorities of the General Direction had to perform.

After carefully surveying the situation and formulating the general plans, the authorities first of all negotiated for an earlier withdrawal. Then they organized on March 29, 1935, a Transportation Committee, consisting of 134 Japanese and 312 Soviet Russians, to supervise and to assist the smoothest possible withdrawal of the retiring Soviet employees from Manchoukuo. The actual work of stipulated free transportation was begun on April 2. It was to be completed by July 22 but it was delayed on account of an interim disagreement over the payment of retirement funds and extended to and completed on August 22. For this huge task, the General Direction had furnished 88 special trains consisting of 2,755 cars and transported a total of 20,988 retiring Russians and their families without a single accident. Under the Agreement, each family was to be allowed one car for the purpose of loading all of their possessions including furniture and even domestic animals, and making it their home during their westward journey. Actually, however, the careful planning enabled to entrain an average of 1.5 families to a car and the packed trains presented a procession of moving houses crowded with men and women, old and young, most of them appearing exceedingly dismal in leaving the land where they found comfortable living for more than ten, fifteen, and even twenty years.

The following table shows the distribution of the retiring Soviet employees and the manner of their transportation:

#### TRANSPORTATION OF RETIRING SOVIET EMPLOYEES

Districts	Number Transported			Cars Used			Average Families per Car
	Number of Trains	Retired Employees	Family Members	Passenger Cars	Freight Cars	Total	
Harbin	55	4,360	9,033	178	2,252	2,430	1.8
Hsinking-Harbin	4	240	585	5	143	143	1.6
Harbin-Sulfenbo	14	858	2,461	31	546	577	1.5
Harbin-Manchouli	15	780	2,318	35	565	600	1.3
Total	88	6,238	14,397	249	3,506	3,755	1.6

Note 1: This table includes 647 temporary employees and 1,802 members of their families, making a total of 2,449.

Note 2: In addition, free transportation was provided to 151 persons and 202 members of their families, making a total of 353. With this addition, the grand total is 20,988.

The transportation of the retiring Soviet employees was preceded by a more delicate task of paying the retirement funds. In performing this task under the Transfer Agreement, an unfortunate disagreement arose between the Manchoukuo Government and the Soviet representatives and the transportation was temporarily interrupted during the middle of May. The difficulty, however, was soon ironed out by compromises, the transportation was resumed, and the payment was completed in due time. Those who received the retirement funds in this manner numbered 5,276 and others including women and children who received special annuities 3,704, making the total number of recipients 8,980 and the total amount of retirement and annuity funds 21,466,585.49 yuan. Of this amount, the actual payment made totaled 21,410,397.69 yuan, leaving an unclaimed sum of 56,187.80 yuan allotted to 91 persons. This left a balance of 8,530,000 yuan from 30,000,000 yuan stipulated in the Agreement. Manchoukuo's original estimate was 26,248,553 yuan as against the Soviet demand for 30,000,000 yuan.

#### (5) Standardization of the Gauge

The North Manchuria Railway was built with the broad gauge (1.524 metres or 5 feet) while the State Railways and the South Manchuria Railway are built with the standard gauge (1.435 metres or 4 feet 8.5 inches). For the complete unification of the Manchoukuo State Railways under the supervision of the General Direction, it thus became necessary to standardize the gauge of the North Manchuria Railway. After a thorough survey of the lines and a careful deliberation of the whole problem, however, the authorities



of the South Manchuria Railway Company and the General Direction decided to standardize only the Hsinking-Harbin line, a distance of 240 kilometres, thus making possible the Dairen-Harbin through traffic without changing trains at Hsinking, and to postpone the standardization of the other lines for the time being. The engineers of the South Manchuria Railway and the General Direction immediately began the preparatory work.

The greatest difficulty of the project arose from the fact that the broad gauge is only 89 millimetres or 3.503 inches wider than the standard gauge, making it impossible to lay a new line inside the track in advance, for then the basis of the new and existing rails would overlap. Consequently, rails of one side of the track should first be freed of spikes and removed to the new position. This work required a careful preparatory process especially in view of curves, crossings, and switches. Another difficulty confronted was the fact that nearly two-thirds of the ties for the entire line were either rotten or defective and had to be replaced. Moreover, considerable readjustment and preparatory work had to be performed at the Harbin terminal for the effective handling of the through trains and traffic. Taking all of these and other difficulties into consideration, the preparatory work was minutely planned and carefully completed before the day appointed for the special performance.

By the dawn of August 31, 1935, about 2,000 competent workers, distributed over the 240 kilometres with 15 men each for a distance of 2 kilometres, were ready to begin the momentous work. At 5 A.M. the signal was broadcast from the Headquarters in Harbin and the standardization project was started simultaneously all over the line. Within an amazing time of one hour and thirty minutes, the main work was completed. The minor details and the reworking of the work took up another one hour and twenty minutes. At 8 A.M. just three hours after the project started, the erstwhile broad gauge was changed to the standard gauge over the entire length of 240 kilometres. The first trains which left Harbin and Hsinking with the high officials of the Manchoukuo Government, the South Manchuria Railway Company, and the General Direction of Manchoukuo State Railways met at Dairen and the special project of standardizing 240 kilometres in 3 hours was celebrated with a grand ceremony. The total expense of the enterprise was estimated at 1,500,000 yen, of which only 700,000 yen were used for the standardization of 240 kilometres and the balance for the reworking of the Harbin terminal, the installation

of new signal system, the reconstruction of rolling stocks, and other readjustments.

On September 1, the day after the completion of the standardization project, the first through train service between Dairen and Harbin was inaugurated when the "Asia," the crack stream-lined super-express and the pride of the South Manchuria Railway Company, left Dairen and Harbin simultaneously at 9 A.M. and completed the trip at 10.30 P.M. or in thirteen hours and thirty minutes. The "Asia" has to slow up considerably between Hsinking and Harbin on account of slow rail and road conditions but even then it covers the distance in three hours and fifty-eight minutes while it required seven hours and thirty minutes formerly. Moreover, the elimination of trans-shipment at Hsinking, needless to add, is an untold benefit to the goods traffic and for the general economic and industrial life in North Manchuria.

#### (6) *Payment in Kinds*

The payment for the North Manchuria Railway transfer have been progressing without difficulty. Especially interesting has been the payment in kinds. By April 30, 1936, about one year after the transfer, 645 contracts amounting to 92,285,000 yuan had been approved and 37,255,784.27 yuan worth of goods had been actually delivered. The merchandises thus delivered to the Soviet Union are as follows: machinery, 21,451,000 yuan; vessels, 14,761,000 yuan; iron bars and sheets, 2,941,000 yuan; wires, 8,531,000 yuan; beans and bean-oil, 8,297,000 yuan; green tea, 8,045,000 yuan; cement, 5,709,000 yuan; ropes, 5,219,000 yuan; flour, 1,864,000 yuan; rayon, 1,591,000 yuan; woven goods, 5,623,000 yuan; and miscellaneous goods, 8,253,000 yuan.

## 22 Unified Management of Manchoukuo State Railways

The Manchoukuo Government, under a contract signed on February 9, 1933, entrusted the entire management of the Manchoukuo State Railways to the South Manchuria Railway Company (Cf. Fourth Report, Section 81). This was done for two principal reasons. In the first place, it was imperative to unify widely variegated lines, most of them entailing large losses owing to their diverseness and poor management, and it was most appropriate to assign the task to the Company which both possessed a long and tried experience and has shown unquestionable ability to manage and

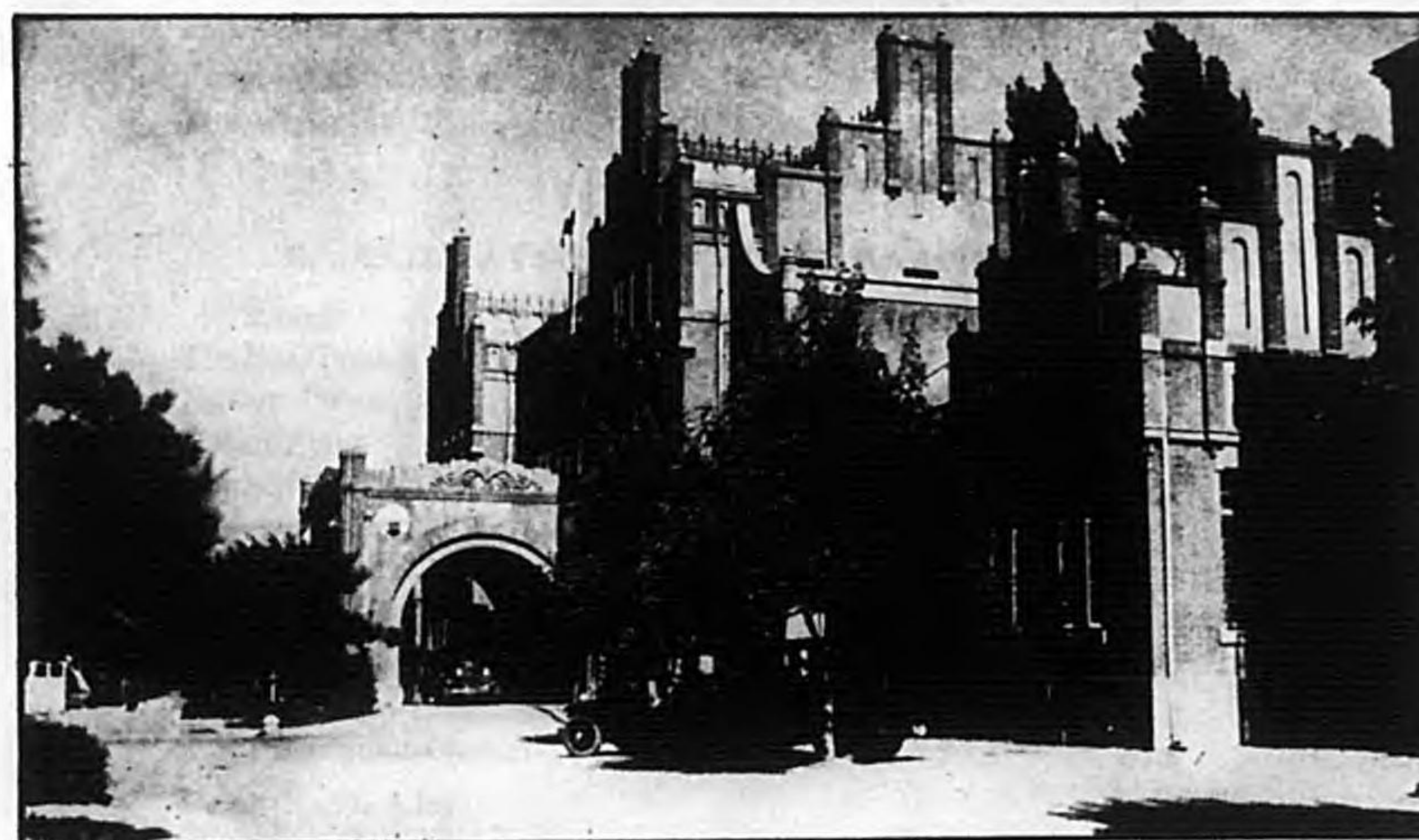


operate railways. In the second place, such an arrangement would be mutually advantageous in settling an enormous amount of Manchoukuo's indebtedness to the Company, estimated at 130,000,000 yen, which was incurred by the former regime and which Manchoukuo had assumed, in connection with the financing and construction of several railways by the Company. In other words, the said loans were to be secured on the property and proceeds of the entire Manchoukuo State Railways. The arrangement also included the management of water transportation enterprises on the Sungari River, harbor undertakings at Yingkou and Hulutao, and bus lines. In order to assume this tremendous responsibility, the Company immediately organized the Tetsuro Sokyoku, or the General Direction of Manchoukuo State Railways, with its headquarters at Mukden, which began its operation on March 1, 1933. The North Manchuria Railway lines were added on March 23, 1935, when the Soviet Union transferred its share therein to Manchoukuo (See above, Section 21).

The General Direction is almost as large and comprehensive an organization as the Company's main office in Dairen. Since its organization, it introduced numerous improvements and effected a series of reorganizations in order to transform the neglected lines into a modern railway system. Among other things, it established uniform regulations, fares, rates, and classifications on all lines; started through train service with the South Manchuria Railways and inaugurated the through booking traffic with the adjacent railways; improved the railway tracks and rolling stocks, and introduced sleeping and dining car service; added the mixed-storage system similar to that practiced by the Company along its lines; developed the river navigation (See below, Section 25) and began operation of bus lines on an extensive scale (See below, Section 24); initiated a rational employees' compensation system; unified and improved the schools and hospitals which were formerly managed by the several railways independently, and established a railway training institute; introduced the guard system of its own to assure the safety of railway operation; began operation of hotels at important points; took initiative in encouraging the development of industries along the railways in cooperation with the inhabitants; and established an up-to-date system of railway accounting and purchasing and statistics. Thus, the transportation system throughout Manchoukuo is now witnessing an unprecedented rapidity of modernization and developments under the S. M. R. management.



The S. M. R. Head Office, Dairen



The General Direction of Manchoukuo State Railways, Mukden



The Department of Communications, Hsinking



The following railways are now under the direct management of the General Direction:

*Railways Under General Direction*

A. RAILWAYS TAKEN OVER IN MARCH, 1933

Lines	Kilometres	Miles
Mukden-Shanhaikuan .....	419.6	260.7
Tahushan-Chengchiatun .....	367.1	228.1
Koupangtzu-Hopei .....	91.1	56.6
Chinchou-Peipiao .....	112.6	70.0
Mukden-Kirin .....	447.6	278.2
Hsian-Shaho .....	74.3	46.2
Hsinking-Tunhua .....	338.1	210.0
Harbin-Hailun .....	220.1	136.8
Tsitsihar-Taitung .....	143.4	89.1
Ningnien-Laha .....	48.0	29.8
Paichengtzu-Pinganchen .....	71.1	44.2
Ssuping kai-Tsitsihar .....	571.4	355.1
Miscellaneous .....	38.5	23.9
Total .....	2,935.9	6,857.0

B. RAILWAYS ADDED SINCE MARCH, 1933

Lines	Date	Kilometres	Miles
Tunhua-Tumen .....	Sept. 1933	189.9	118.0
Hailun-Peian .....	Dec. 1933	106.0	65.9
Taian-Peian .....	Dec. 1933	87.0	54.1
Laha-Noho .....	Dec. 1933	38.8	24.1
Chaoyangchuan-Kamisanbo ..	Apr. 1934	60.0	37.3
Lafa-Harbin .....	Sept. 1934	271.7	168.9
Chinlingssu-Chengte Line:			
Chinlingssu-Lingyuan ..	Dec. 1934	156.8	97.4
Lingyuan-Pingchuan ...	Oct. 1935	87.2	54.2
Pingchuan-Chengte ....	Mar. 1936	99.4	61.8
Peian-Heiho Line:			
Peian-Lungchen .....	Dec. 1934	136.9	85.1
Lungchen-Heiho .....	Nov. 1935	166.0	103.1
Hsinking-Harbin .....	Mar. 1935	240.2	149.3
Harbin-Manchouli .....	Mar. 1935	934.8	580.9
Harbin-Suifenho .....	Mar. 1935	546.4	339.5
Tumen-Mutanchiang .....	July 1935	248.7	154.1
Paichengtzu-Halunarshan Line:			
Pinganchen-Solun .....	Nov. 1935	119.7	74.4
Solun-Halunarshan ....	Jan. 1936	131.0	81.4
Hsinking-Paichengtzu .....	Nov. 1935	332.6	206.3
Yehpaishou-Chihfeng .....	Dec. 1935	146.9	92.0
Mutanchiang-Chiamussu Line:			
Mutanchiang-Linkou ...	July 1935	110.0	68.4
Linkou-Poli .....	Jan. 1936	86.2	53.6
Linkou-Mishan .....	Dec. 1935	183.0	113.7
Miscellaneous .....	—	26.4	16.4
Total .....	—	4,505.6	2,799.9

The following two tables give the record of passenger and freight traffic under its management for the first three years:



*Passenger and Freight Receipts*

## A. PASSENGERS CARRIED, 1933-1936

Fiscal Years	Passengers Carried	Receipts in Yuan
1933-34	3,073,301	14,706,341
1934-35	5,291,043	11,735,712
1935-36	14,105,562	29,878,252

## B. FREIGHTS HAULED, 1933-1936

Fiscal Years	Freight Hauled in Kgs.	Receipts in Yuan
1933-34	3,900,041	36,079,544
1934-35	11,395,500	50,513,474
1935-36	15,001,382	67,811,016

**23 The South Manchuria Railway**

The South Manchuria Railway Company is more than a mere railway company; it has been and still is the carrier of the light of civilization into Manchuria (For details, See First-Fourth Reports). In addition to its extensive railway undertakings which constitute its main business, the Company continues to operate, as accessory enterprises, coal mines, railway workshops, harbors and wharves, warehouses, and hotels; it administers the Railway Zone; it conducts schools, libraries, hospitals, and various hygienic institutions; it controls a number of joint-stock companies, electric and gas works, shipping and dockyard companies, and several industrial concerns and factories; and it carries on a chemical research laboratory, a geological research institute, an economic research committee, and several agricultural experimental stations and farms. Thus its far-flung activities and interests are inseparably tied up with the industrial, commercial, social, intellectual, and general economic life of the country, and the epic story of its growth is to a large extent the story of the phenomenal development and progress of Manchuria during the past twenty-nine years. The Company was established in 1906 and began its operation in 1907, and will celebrate its thirtieth anniversary in 1937. (For detailed figures on the above-mentioned various activities, see Appendix I.)

During the period under review, 1934-1936, the Company continued to make a record progress. The railway receipts increased from 119,577,000 yen for the fiscal year ending on March 31, 1934, to 125,525,000 yen for 1934-1935 and 134,686,000 yen for 1935-1936. The receipts from harbor and wharf works increased from 11,024,000 yen for 1933-1934 to 15,730,000 yen for 1934-1935 and 14,392,000 yen for 1935-1936. The income from its collieries in-

creased from 70,976,000 yen for 1933-1934 to 85,526,000 yen for 1934-1935 and 92,559,000 yen for 1935-1936. All told, the net profit of the Company increased from 42,921,000 yen for 1933-1934 to 46,467,000 yen for 1934-1935 and 49,624,000 yen for 1935-1936. (For details and complete figures, see Appendix I.)

During the same period, the Company undertook or introduced new enterprises and instituted numerous changes in its far-flung activities. Among these may be mentioned the following more notable changes:

(1) The retirement of Count Hirota Hayashi as President of the Company in August, 1935, and the appointment of Mr. Yosuke Matsuoka as his successor. Soon afterward Vice-President Yoshiaki Hatta also retired from office and Mr. Takuichi Ohmura was appointed to succeed him.

(2) The organization of the Showa Steel Works, Inc., with an authorized capital of 100,000,000 yen, of which the Company holds the entire stock. The Showa Steel Works took over the entire activities of the Company's Anshan Iron Works at Anshan and since expanded the plants to produce both iron and steel products.

(3) The construction and introduction on November 1, 1934, of the "Asia," the crack stream-lined super-express, the best in the Far East, which covers 700 kilometres between Dairen and Hsinking in eight hours and thirty minutes. The "Asia" was extended to Harbin on September 1, 1935, after the transfer of the North Manchuria Railway and the standardization of its gauge, covering the entire distance of 942 kilometres in thirteen hours and thirty minutes.

(4) The completion of an alteration project to double the production of the Shale Oil Plant at Fushun. This was started in 1934 and completed early in 1936.

(5) The taking over of the North Manchuria Railway a task which taxed every ounce of the Company's resources and experiences, both technical and financial, and its organization and man-power. The successful taking over of 1,732 kilometres of the railway without a slight interruption in its traffic and the epochal standardization of 240 kilometres of the Hsinking-Harbin Line in three hours are both epoch-making achievements in the history of railway undertakings. (See above, Section 21).

(6) The participation in the further economic and industrial reconstruction and development programs in Manchuria, including among others, the construction of 2,850 miles of new railway lines in less than three years (See above, Section 17), the participation



in the establishment of special State enterprises (See below, Section 36), the construction of Rashin and Hulutao harbors (See above, Section 19), and the participation in the flood control activities.

(7) The enormous increase in the number of regular employees, from 39,545 in March, 1934 to 46,993 in March, 1936. The personnel expenses of the Company proportionately increased from 73,690,000 yen to 94,209,000 yen for the respective dates.

The following table gives the comparative growth of the S. M. R. capital outlays during the period under review:

S. M. R. CAPITAL OUTLAYS, 1907-1936  
(In 1,000 yen)

Activities	1907-34	1907-35	1907-36
Railways	274,248 (37.2%)	289,777 (37.2%)	305,197 (38.0%)
Hotels	5,146 (0.7%)	5,284 (0.7%)	5,265 (0.7%)
Harbors	90,122 (12.2%)	97,282 (12.5%)	100,471 (12.5%)
Collieries	109,064 (14.8%)	117,658 (15.1%)	119,794 (14.9%)
Shale Oil Plant	7,508 (1.0%)	11,025 (1.4%)	10,518 (1.3%)
Local Public Works	185,910 (25.0%)	188,623 (24.2%)	193,027 (24.0%)
Others	65,943 (8.9%)	68,296 (8.8%)	68,668 (8.6%)
Total	737,942 (100.0%)	777,944 (100.0%)	802,940 (100.0%)

The profit and loss account for the same period may be seen from the following summary:

S. M. R. PROFIT AND LOSS ACCOUNTS, 1933-1936  
(In 1,000 yen)

Activities	1933-34			1934-35			1935-36		
	Rec.	Exp.	Bal.	Rec.	Exp.	Bal.	Rec.	Exp.	Bal.
Railways	119,677	43,910	+75,766	126,525	43,344	+83,181	134,686	44,730	+89,956
Hotels	2,536	2,550	-14	2,896	2,700	+196	3,215	3,159	+56
Harbors									
Wharves	13,034	9,817	+3,217	15,730	10,479	+5,251	14,398	9,483	+4,910
Collieries	70,976	65,960	+5,016	85,525	75,002	+10,523	92,559	79,846	+12,713
Oil Distillation	5,277	4,452	+825	3,884	3,412	+472	6,962	5,911	+1,051
Iron Works	3,040	3,584	-544						
Local Public Works	6,185	16,855	-10,670	7,273	18,179	-10,906	9,407	20,946	-11,539
General Affairs	10,366	29,396	-18,530	2,740	16,704	-13,964	6,667	20,835	-14,168
Interest	16,412	28,558	-12,146	26,093	31,200	-5,107	34,267	40,705	-6,438
Total	248,002	205,061	+42,921	270,669	224,202	+46,467	302,188	252,534	+49,624

## 24 Extension of Bus Lines

In 1932, the Manchoukuo Government has evolved a ten-year plan to construct 60,000 kilometres of national highways and the execution of the plan is gradually progressing (See above, Section 18). Over these highways were introduced the buses, the latest addition to the land transportation in Manchuria.

The Manchoukuo Government had entrusted the General Direction of Manchoukuo State Railways, together with its railways and

river lines, with the exclusive right of operating all of its bus lines and launching new bus lines over certain classes of its national highways. The latter includes those lines (1) which are competitive to the railways, (2) which take the place of railways, and (3) which are indispensable for the development of hinterland and the maintenance of peace and order. The bus lines over the other highways are open to free enterprise but the Government exercises a strict control over them under the general policy of "one highway-one bus line." Accordingly, the General Direction has started its first bus line between Peipiao and Chengte in March, 1933, and has been since extending and developing a studied system of bus transportation for the entire country, both as feeders to the railways and for the convenience of the general public.

In most countries of the world, the bus transportation has made a spectacular development and successfully competed with the railways, often driving the latter out of business. In Manchuria, the situation is quite different. The density of population is still too thin in most sections and the number of passengers is small. Moreover, the installation cost and operating expenses, especially the prices of buses and fuel, are comparatively high. Consequently, no small-scale undertaking can assure profitable returns and no long-distance bus lines in competition with railways can develop in Manchuria. Under the circumstances, the General Direction is operating its extensive bus lines, not so much as a source of revenue, but more as a means of opening up the hinterland and supplementing the fast expanding but still insufficient railway lines. Necessarily there is no competition between bus lines and railways.

The General Direction now operates some 15 bus lines covering slightly over 5,000 kilometres with over 400 buses and 700 employees. The details of the lines as of June 1, 1936, are as follows:

### BUS LINES IN MANCHURIA

Lines	Opening Date	Kilometres
Jehol Lines	1933-35	1,223
a. Peipiao-Chengte	1933	320
b. Chaoyang-Chihfeng	1933	190
c. Chengte-Chihfeng	1933	265
d. Chaoyang-Chaoyangchan	1933	4
a. Lingyuan-Lingyuanchan	1934	4
f. Chihfeng-Linhsi	1934	210
g. Chengte-Fengning	1935	100
h. Weichang-Tolun	1935	130
Antung-Chengtzutun Lines	1935	296
a. Antung-Chengtzutun	1934	214
b. Fenghuangcheng-Huangtukan	1934	82



Lines	Opening Date	Kilometres
Shanghai-Chengde-Tungfua Line	1934	145
Mukden-Fushun Line	1934	55
Haiheng-Newchwang Line	1934	25
Tunhua-Hailin Lines	1933-34	370
a. Tunhua-Hailin	1933-34	230
b. Ningan-Mutanchiang	1934	40
c. Hailin-Mutanchiang	1934	20
d. Orni-Kaihao	1934	80
Hsinking-Taonan Lines	1934	398
a. Hsinking-Fuyu	1934	165
b. T'aihi-Howafan	1934	73
c. T'aihi-Taonan	1934	159
Yoho-Heiho Lines	1934	360
a. Yoho-Aigun	1934	297
b. Yoho-Fuhei	1934	30
c. Aigun-Heiho	1934	33
Hsinmin-Changwu Line	1935	62
Mukden-Kangping Line	1935	119
Hsinking-Kirin Line	1935	126
East Manchuria Lines	1934-35	162
a. Hunchun-Tunghsinchen	1934	100
b. Suihsiao-Tungning	1934	62
Hsingan Lines	1934-35	780
a. Wangshimiao-Hailar	1934-35	547
b. Taonan-Fuchuan	1934	105
c. Heiho-Hantachi & Beach	1935	127
Tsitsihar-Kanman Line	1935	107
Hsichin-Tungchiang Lines	1934-35	935
a. Hsichin-Tungchiang	1934	636
b. Chianussu-Poli	1935	160
c. Fuchin-Paoching	1935	139
Grand Total		5,152

In addition to the above lines already in operation, no less than 25 lines aggregating 4,664 kilometres are now being planned.

The following table shows the passenger and freight traffics and receipts over the bus lines in operation:

#### PASSENGER AND FREIGHT RECEIPTS

Years	Average Distance in Km.	Passengers	Receipts in Yuan	Goods in Kgs.	Receipts in Yuan	Total Receipts in Yuan
1932	638	92,324	446,438	1,512,730	139,533	586,332
1934	2,381	357,920	854,265	6,549,535	360,144	1,214,309
1935	2,126	514,572	974,250	5,092,365	344,511	1,318,764

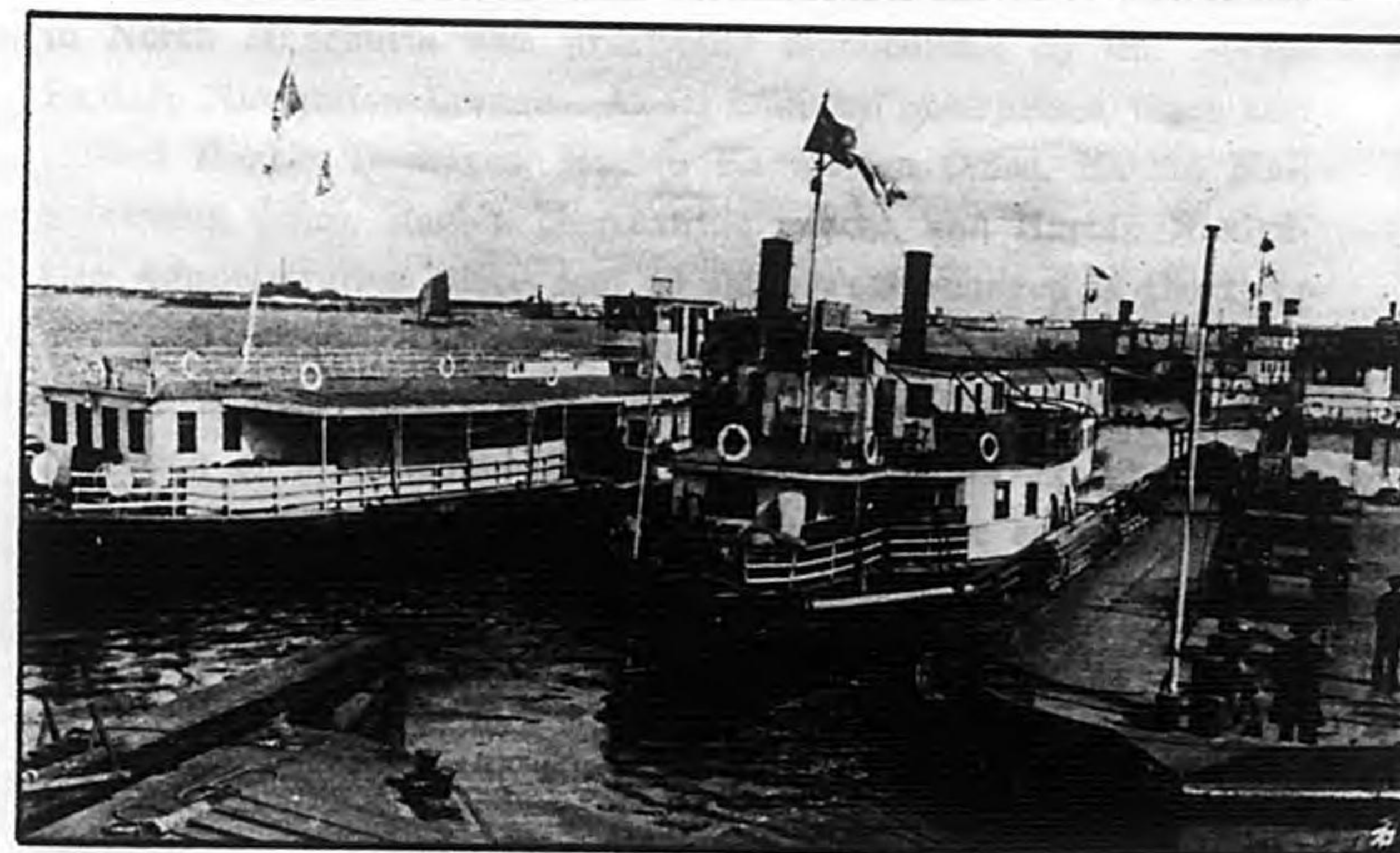
Within the Kwantung Leased Territory, a network of bus lines, involving 11 lines and aggregating 340 kilometres, is operated by the Dairen Urban and Interurban Transit Company. Out of those 11 lines, 9 were started after 1932.

### 25 Development of River Transportation

There are three large rivers in Manchuria and they constituted the oldest transportation system, long before the appearance of



A General Direction Bus and a New Highway in Manchoukuo



The Bustling Water-front, Harbin



Lumbers, Rafts, and Junks on the Sungari River



railways. The Liao River furnishes an outlet for agricultural products, chiefly of the southern part of Fengtien Province, down to Yingkou, while the Yalu River is extensively used in transporting timbers to the port of Antung. More important is the Sungari River, draining the whole of North Manchuria and emptying into the Amur River at the north-eastern extremity. The railway facilities have not yet penetrated large portions of North Manchuria and the Sungari still serves an extensive area as the only means of transporting agricultural and other products to the nearest railway stations. Harbin has grown, thus, not only as a northern railway junction city, but also as a center of the river traffic over the Sungari River.

Before the establishment of Manchoukuo, the river navigation in North Manchuria was practically monopolized by the North-Eastern Navigation Bureau. As its affiliated enterprises, there also existed Harbin Dockyard, Harbin Navigation Office, Harbin Mail Steamship Office, Harbin Merchantile School, and Harbin Navigation Administration Office, and 40 ships were engaged in the river navigation. After the establishment of Manchoukuo, the Government took over these institutions and later entrusted the General Direction of Manchoukuo State Railways with all except the last named office, as the river navigation has a close connection with the railway transportation.

After a careful study of the whole situation, the General Direction has amalgamated various navigation bodies into one entity and organized the Harbin Navigation Association in 1933. It has also established the Direction for Navigation at Harbin to supervise the various activities of the Association. Today it operates through the Harbin Navigation Association 48 vessels over the Sungari, the Amur, and the Ussuri Rivers. Its regular service includes the following 12 routes, covering a total distance of 5,194 kilometres:

#### SUNGARI RIVER LINES

Lines	Kilometres
Harbin-Fuchin .....	614
Harbin-Fuchin-Heiho .....	1,418
Harbin-Fuchin-Hulin .....	1,286
Harbin-Fuyu .....	324
Harbin-Chiangchiao .....	503
Fuyu-Kirin .....	414
Chiangchiao-Tsitsihar .....	126
Fuchin-Heiho .....	804
Heiho-Moho .....	827
Moho-Kilarin .....	623



Lines	Kilometres
Hulin-Lungwangmiao .....	286
Hulin-Mishan .....	350
Total Operating Distance .....	7,575
Total Distance Covered .....	5,194

Over these lines, 382,916 passengers and 817,069 tons of goods were carried in 1934 and 500,232 passengers and 755,045 tons of goods in 1935.

As an enterprise closely affiliated with the river navigation, the General Direction also provides and maintains wharves at Harbin, Ilan (Sanhsing), Lienchiangkou, Chiamussu, Huachuan, Fuchin, and Heiho. Of these the busiest are the five wharves located at Harbin. In 1935, these wharves handled 1,043,000 tons of goods, of which 505,000 tons passed through the Harbin wharves.

## 26 Expansion of Air Transportation

The development of air transportation in Manchuria is of recent origin. Before 1929, in fact, there was no regular air service. On April 1, 1929, the Japan Air Transport Company inaugurated the regular air service in Manchuria by extending its service from Tokyo to Dairen via Osaka, Fukuoka, Urusan, Keijo, Heijo, and Shingishu. At first this service was for the mail only but it was extended to the passenger service in September of the same year.

With the emergence of Manchoukuo in 1932, the air transportation service received a new impetus. In October, 1932, the Manchuria Air Transport Company was established by the Manchoukuo Government with an authorized capital of 3,850,000 yuan. The capital for the enterprise was supplied jointly by the Manchoukuo Government, the South Manchuria Railway Company, and the Sumitomo Company of Japan. The Manchoukuo Government granted the M.A.T.C. the exclusive right to operate air transportation within Manchoukuo and the M.A.T.C. began its service in November, 1932. The through service with the Japan Air Transport Company was also inaugurated during the same year at Dairen and Shingishu. The M.A.T.C. has its headquarters at Mukden and 12 branches with sub-branches at various important cities.

Since November, 1932, the M.A.T.C. gradually expanded its air service and today it operates 15 regular routes and 2 military routes, covering 7,645 kilometres as follows:

### AIR ROUTES IN MANCHURIA

A. General Passenger Service:	Kilometres
1. Dairen-Mukden-Hsinking-Harbin .....	865
2. Harbin-Tsitsihar .....	275

	Kilometres
3. Tsitsihar-Hailar-Manchouli .....	675
4. Tsitsihar-Nenchiang-Heiho .....	440
5. Harbin-Peian-Heiho .....	510
6. Hsinking-Kirin-Yenchi-Lungchingtsun-Seishin .....	600
7. Mukden-Tunhua .....	240
8. Mukden-Shingishu .....	210
9. Mukden - Chinchou - Shanhaikuan - Chaoyang - Lingyuan-Chengte .....	400
10. Chinchou-Chaoyang-Lingyuan-Chengte .....	315
11. Chinchou-Chaoyang-Chihfeng-Linhsi .....	230
12. Harbin-Ilan-Chiamussu-Fuchin .....	390
13. Hsinking-Chengchiatun-Tungliao-Kailu-Linhsi .....	595
14. Hsinking-Mutanchiang .....	350
15. Mutanchiang-Poli-Chiamussu .....	275

B. Military Service (ordinary passengers carried whenever vacant seats are available).

16. Harbin-Mutanchiang-Tungning-Suifenho-Mishan .....	410
17. Fuchin-Hulin-Mishan-Mutanchiang .....	695

The Dairen-Shingishu Line is still operated by the Japan Air Transport Company as a part of its Tokyo-Dairen service.

Such a development of air service considerably shortened the distance between Manchuria and Japan. One can leave either Dairen or Hsinking at the day-break and fly over Chosen, Northern Kyushu, and the Inland Sea, and arrive at Osaka by the nightfall, enabling him to take a crack sleeper and to reach Tokyo early in the morning of the following day. In effect, this is a 24-hour service. A faster air service between Dairen or Hsinking and Tokyo, leaving in the morning and arriving at night, is now being contemplated.

## 27 Renovation of Postal Administration

The postal services in Manchuria during the later years of the Manchu Dynasty were supervised by the Postal Commissioner's Office in Mukden alone, and this arrangement remained in force until 1921. When the Republic of China was divided into twenty-four postal districts, of which two were in the Manchuria area, namely, Mukden and Heilungkiang-Kirin districts, postal commissioner's offices were established in Mukden and Harbin, while the postal services in Jehol Provinces were placed under the jurisdiction of the Postal Commissioner at Tientsin. This arrangement lasted until July 26, 1932, when the Manchoukuo Government took over the entire postal administration within its boundary (See Fourth Report, Section 83). The first series of Manchoukuo postage stamps were issued on August 1, 1932.

The postal administration thus taken over was placed under



the direction of the Department of Communication and carried out through two postal districts as before, namely, the Mukden and Harbin Districts. The third, the Hsinking District, was added on November 1, 1934. There were 299 post offices of various classes and 629 postal agencies in 1932. Many of these had to be closed on account of the confusion which followed the change of administration and 185 post offices and 2 postal agencies were reopened by the end of August. Then followed further reorganization and improvement, and the authorities gradually began to augment the number of post offices and agencies for an efficient administration. By the end of 1932 the number of post offices increased to 283 and postal agencies to 720 and by the end of 1935 to 355 and 782 respectively.

In the meanwhile, postal charges for both domestic and foreign mails were reduced, from 4 fen and 2 fen to 3 fen and 1½ fen for domestic mails and from 25 fen and 15 fen to 10 fen and 6 fen for foreign mails. The parcel post rates were also reduced. Postal savings were inaugurated in May, 1933, and have since made an amazing progress, aggregating 2,336,088 yuan and involving 72,675 persons at the end of 1935 (See Appendix II, No. 12). The money order service within Manchoukuo and between Japan and Manchoukuo was resumed in 1933, and between Manchoukuo and China in February, 1935.

At the time when it took over the postal administration from China, the Manchoukuo Government applied for membership in the International Postal and Telegraph Union but the affiliation was denied. It also approached Japan, China, and the Soviet Union with a proposal to continue provisionally to conduct foreign mails by exchange service as before until formal agreements could be made. The proposal having been accepted by the Japanese and Soviet Governments, foreign mails via Siberia are handled by the Harbin Post Office and those to North and South America and Europe via Japan by the Mukden Post Office. Following Japan's official recognition of Manchoukuo, the Japan-Manchoukuo mail service involving all phases continued without interruption. Finally, the Japan-Manchoukuo Postal Agreement was signed on January 26, 1936, and all obstacles were cleared for an efficient postal through service between the two countries.

On the other hand, China refused to recognize the Manchoukuo postal administration and to handle direct exchange of mails except through the intermediary of the Japanese Post Office in Dairen. Fortunately, however, due largely to the pressure of practical neces-

sity, difficulties were smoothed out to the satisfaction of both parties through protracted negotiations extending over two years and a Sino-Manchoukuo Postal Agreement was reached by the end of 1934. The Sino-Manchoukuo postal service was then revived on January 10, 1935, with Manchoukuo's "nameless" stamps and the parcel post service one month later. The international postal air service soon followed.

Another interesting development has been the gradual extension of international postal money order service. In addition to Japan and China as already noted, the postal money order service was inaugurated "through the intermediary of the Japanese Government" between Manchoukuo and Netherlands Indies on May 1, 1935, Germany on October 1, 1935, Poland on November 15, 1935, the Netherlands on November 25, 1935, and Hongkong on December 1, 1935. The exchange of postal money order between Manchoukuo and Switzerland is now under negotiation.

The postal administration within the Kwantung Leased Territory and the S.M.R. Zone is a part of the postal administration system in Japan, necessarily using Japanese regulations and Japanese postage stamps.

## 28 Consolidation of Electric Communications

After the establishment of Manchoukuo, the need for the unification of two different systems of electric communications, one maintained by the Manchoukuo Government and the other by the Kwantung Government in the Japanese Leased Territory and the S.M.R. Zone, was keenly felt by both sides. The two Governments finally reached an agreement on March 26, 1933, to consolidate their respective electric communications by establishing the Manchuria Telephone and Telegraph Company as a Japan-Manchoukuo joint corporation with an authorized capital of 50,000,000 yen. The M.T.T.C. thus conceived was established on August 31 and opened to business on September 1, 1933. It not only controls and manages all telegraphs and telephones in the whole area of Manchoukuo, the Kwantung Leased Territory, and the S.M.R. Zone, but also has taken charge of all enterprises related to radio-broadcasting and television, excepting those electric communication services belonging to the military, police, Governments offices, railways, and aviation enterprises (See Fourth Report, Section 84). Its head office was temporarily located at Dairen but removed to its new building at Hsinking late in 1935.



The M.T.T.C. set up a five-year program, involving 18,800,000,000 yen, for the improvement of electric communications including the establishment of head offices, reduction of rates and fees, increase of speed, and general betterment of services. As a part of this program, the Company had expended 2,800,000 yen during 1933, 11,000,000 yen in 1934, and 12,800,000 yen in 1935 and made an appropriation of 10,000,000 yen in 1936 for the standardization of the entire system, the extension of lines especially in North Manchuria and Jehol Province, the improvement of old-fashion machines, and the installation of new-style machines. As a result, the lines were increased from 34,083 kilometres of 193 circuit lines on September 1, 1933, to 45,886 kilometres of 277 circuit lines at the end of 1935 and the telegraph offices from 363 to 562 for the respective dates.

In the field of wireless telegraphy, the Company has made an equally steady progress and the number of wireless telegraph stations increased from 15 in September, 1933, to 28 at the end of 1935. It also operates four broadcasting stations, namely, at Dairen, Mukden, Hsinking, and Tsitsihar. The most noteworthy achievement in this field was the establishment at Hsinking of a 100-kilowatt broadcasting station which was completed at a cost of over 2,000,000 yen and opened on November 1, 1934. This station also handles the through wireless communications with Berlin, Paris, and San Francisco.

The Company took up the improvement in the telephone service simultaneously with the development of telegraphs. The work of unifying and standardizing the telephone service in Manchoukuo proceeded rapidly. It absorbed the telephone services in Hailar, Tumen, and Heiho in 1934 and in Tungliao, Yenchi, Fuchiatien in Harbin, Antung, Yingkou, and Koshan in 1935, involving a total value of 1,300,000 yen. During 1936, it plans to add Hailun, Hunchun, Tunhua, Chiamussu, and Fuchin under its wings. Within Manchoukuo, the telephone offices increased from 61 in September, 1933, to 122 at the end of 1935, the number of subscribers from 30,764 to 54,494, and the extension of lines from 66,870 kilometres to 91,570 kilometres. Among the improvements may be mentioned also the introduction of automatic telephone system in such leading cities like Hsinking, Kirin, Tsitsihar, and the others. The greatest triumph of the period was the successful inauguration of the Japan-Manchoukuo telephone communication on August 1, 1934.

## V DEVELOPMENT OF RESOURCES

### 29 Agricultural Development

#### (1) General Survey

Manchuria is often described as the "Granary of Asia," as possessing "one of the most fertile soils in the world," and the land of "untold agricultural opportunity." While such descriptions greatly exaggerate the actual conditions, they unmistakably indicate Manchuria's agricultural resources and point to its agricultural future which is slowly being unfolded. Indeed, Manchuria is chiefly an agricultural country and agriculture continues to furnish the backbone of national economy (For detailed descriptions, see Fourth Report, Sections 91-97).

During the period under review, 1934-1935, considerable changes took place in the field of agriculture. The cultivated area increased from 13,650,460 hectares or 14.8 per cent. of the total area and 43.1 per cent. of the total cultivable area in 1932 to 13,940,450 hectares or 15.1 per cent. and 44.0 per cent. respectively in 1935 (For details, see Appendix II, No. 3-a). The crop area in 1932 was 13,414,490 hectares; this decreased to 12,028,590 hectares in 1933, then slightly increased to 12,991,313 hectares in 1934 and 13,228,652 hectares in 1935. The decrease in 1933 was largely due to the confusion following the Manchurian Incident, especially the wide-spread activities of bandits, while the gradual increase in 1934 and 1935 was caused by the return of refugee farmers, the reopening of abandoned farms by means of the increased number of domestic animals, and the rehabilitation of areas flooded in 1933 and 1934. In Chientao, Antung, and Fengtien Provinces, however, a slight decrease was registered, due largely to the lack of spring cultivation funds, the delay in seeding and planting caused by early draught, the abandonment of farms for fear of bandit raids, and the emigration to other parts of the country.

In analysing the distribution of various crops, the decrease in the planting of soya beans is striking, while the increase of wheat, millet, maize, and perilla cultivation is most noteworthy. The increase in the cultivation of wheat in North Manchuria and cotton in South Manchuria clearly indicates the effect of the Government



policy of shifting from bean-centric to variegated cultivation and of properly distributing various products according to prevailing conditions. The cotton cultivation received a slight setback in 1935 on account of the scarcity of snow fall during the preceding winter and the continued draught in May and June, both of which caused the farmers to miss the proper seeding time and to shift to other crops.

If we turn to the actual production, the agricultural products in 1932 aggregated 15,319,000 tons, which increased to 18,457,000 tons in 1933, then decreased to 12,935,000 tons in 1934, and again increased to 15,703,000 tons in 1935. The distribution of these figures according to chief crops since 1931 is as follows:

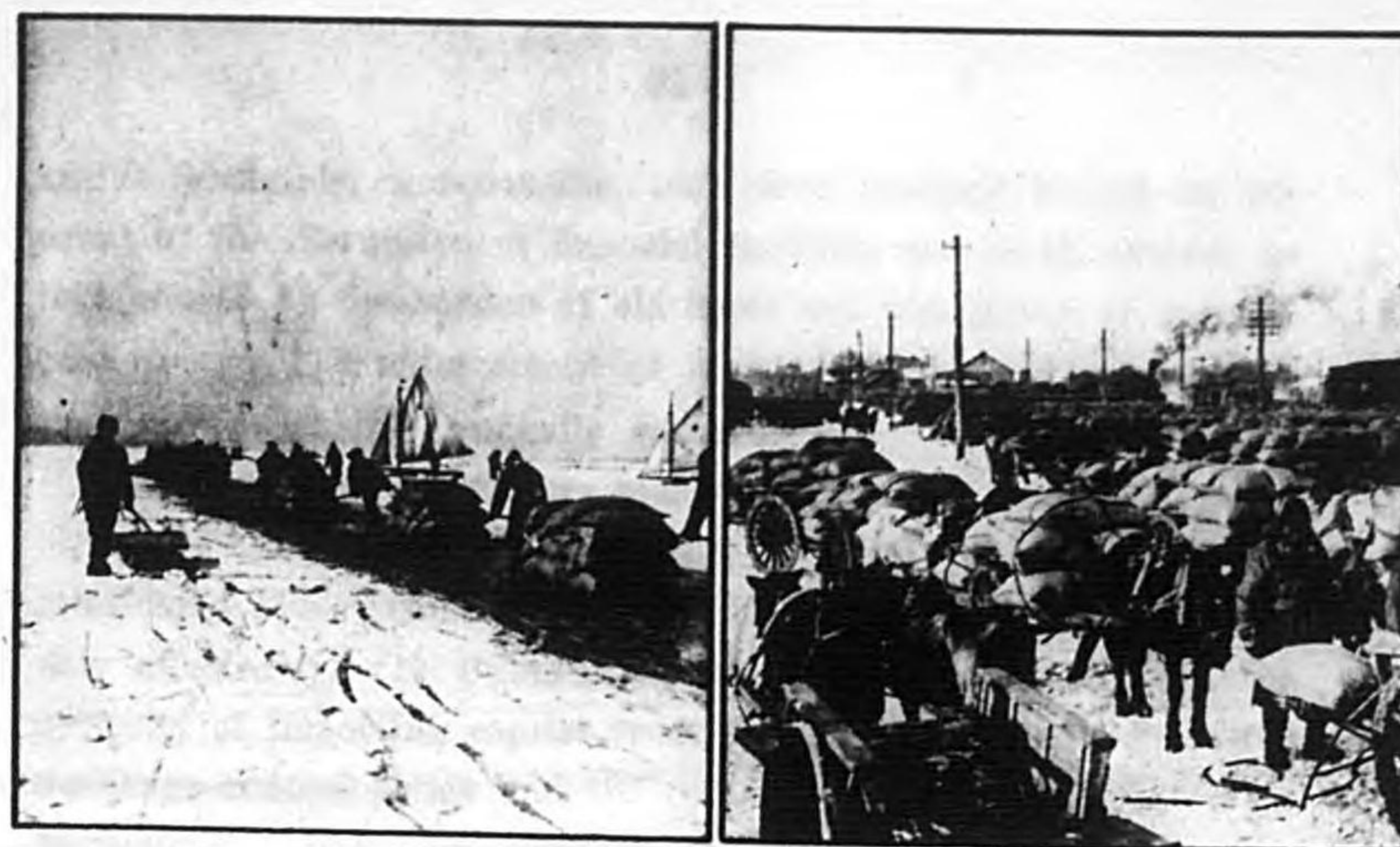
AGRICULTURAL PRODUCTS IN MANCHURIA, 1931-1935  
(In 1,000 tons)

Crops	1931		1932		1933		1934		1935	
	Amount	Index Number	I. N.	I. N.	Amt.	I. N.	Amt.	I. N.	Amt.	I. N.
Soya Beans ..	5,227	100	84	99	3,398	65	3,889	74		
Other Beans ..	312	100	88	103	277	89	292	93		
Kaoliang .....	4,497	100	82	94	3,469	77	3,970	88		
Millet .....	2,960	100	87	110	2,123	71	3,000	102		
Maine .....	1,706	100	89	109	1,502	88	1,828	107		
Wheat .....	1,580	100	67	90	643	41	947	60		
Paddy-field Rice	158	100	72	103	200	126	235	180		
Upland Rice ..	162	100	84	91	125	77	137	85		
Miscellaneous..	1,851	100	82	98	1,198	64	1,219	71		
Total .....	18,457	100	83	100	12,935	70	15,703	85		

(2) Causes of Decreased Production

As the above figures clearly indicate, the agriculture in Manchuria had experienced a considerable setback since 1931. There are several involved factors, all of which combined brought about such a result.

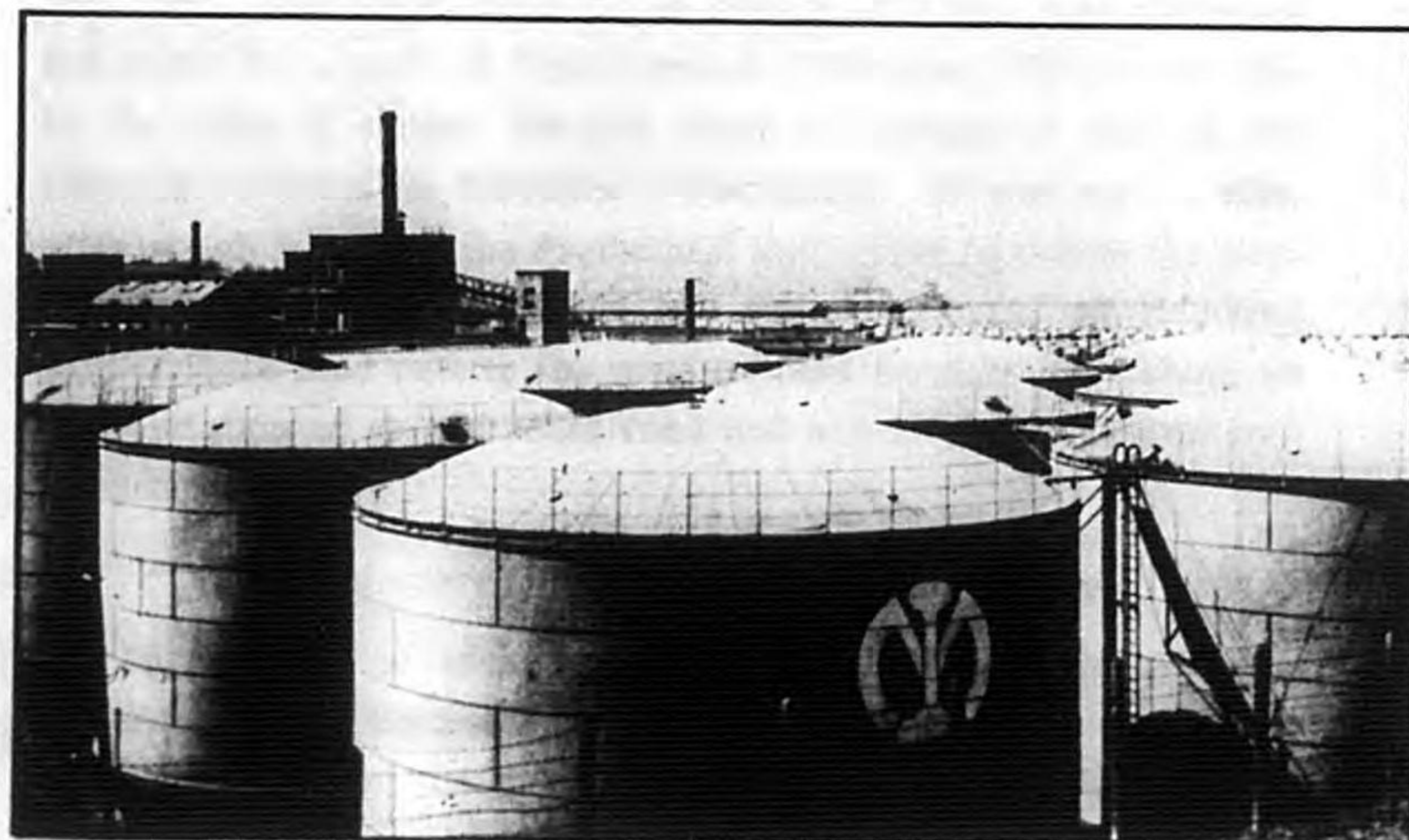
Within Manchoukuo, the leading factors may be summarized as follows: (1) repeated floods in North Manchuria, especially widespread in 1933 and 1934; (2) confusion following the Manchurian Incident and continued bandit activities; (3) drop in the price of agricultural products caused chiefly by the rise in the price of silver, but the proportionate highness of freight rates, especially in North Manchuria; (4) Soviet's termination of the eastward movement of freight over the North Manchuria Railway and the consequent contraction of transactions in the lower Sungari districts; (5) rise in the wages of farm labor and lack of farm hands due to the dispersion of population by bandit outrages, the enlistment of youths, and the absorption of labor by extensive railway and other construction activities; (6) practical impotence of *liangchen* or



Gathering Beans to Transportation Centers



The High Season of Bean Transportation



A Bean-oil Mill, Dairen



native wholesale, warehousing, and often banking houses on account of the disruption of financial facilities and credit system, in turn caused by the burden of old loans and diminution of security power; and (7) enforcement of strict taxation system although the rates are being gradually reduced.

To these internal factors must be added the external factors, especially those which are the result of peculiar Sino-Manchoukuo relations. The economic conditions in Manchuria were unmistakably affected by (1) China's anti-Manchoukuo activities, (2) the difficulty of importing capital from South China on account of the exchange control policy and the consequent slacking of dealers in Manchurian agricultural products in South China, (3) the decrease of Sino-Manchoukuo trade following the latter's declaration of both political and customs independence, (4) the unsteady international balance of trade affecting the export of beans and other agricultural products to China and checking the import of cheap goods from China, and (5) limitation of immigration from China. Moreover, the farmers in Manchuria became the indirect victims of (1) the world-wide wave of depression and the consequent drop in the price of agricultural products, (2) the emergence of economic nationalism and high-tariff policy throughout the world, and (3) the keen competition for and the consequent difficulty of securing markets.

During the early months of 1935, the prevailing conditions placed the farmers in a peculiarly difficult predicament. The estimated decline of production, the shortage of domestic supplies, and the softening by Germany of her prohibitive regulations governing the importation of beans all tended to boost the price of beans considerably. Unfortunately, however, most of the farmers had sold their products at lower prices before 1934 was over and could not enjoy the benefit of higher prices. Moreover, the general rise in the price of cereals brought about a shortage of food in the farming communities throughout Manchuria. It was such a situation which prompted the Prefectural authorities to decree the stoppage of an outflow of cereals and the Government at Hsinking to distribute food among the most pressed farmers by making an appropriation of special relief fund and appealing for general contributions.

### (3) *Measures for Agricultural Improvement*

In addition to such temporary measures, the Manchoukuo Government has been both evolving and developing more permanent measures for the resuscitation of the farming class. Most



noteworthy was the further expansion as well as rationalization of the Rural Credit Associations which increased loans from 198,473 yuan in January, 1933, to 1,954,759 yuan in January, 1934, and 6,716,696 yuan in January, 1935 (See below, Appendix II, No. 3).

The systematic improvement of prefectural agricultural associations is another. The Government policy of encouraging the diversification of products instead of concentrating upon beans began to bear fruits, as shown by the increase of wheat production in North Manchuria and the enthusiasm shown for cotton and perilla cultivation in South Manchuria. The Regulations for the Supervision of *Ihsang* or Community Storehouses, promulgated in August, 1935, was Government's another good-will measure. Initial steps were also taken for irrigation, drainage, and flood control projects by the promulgation in April, 1935, of a decree of the Department of Industry. The Provisional Industrial Research Bureau which was authorized late in 1934 (See below, Appendix III, No. 4), was instructed to carry on basic studies relating to farming villages and drawing up plans for the solution of farming problems. This Bureau was organized early in 1935 and launched a thorough investigation of various industrial conditions throughout Manchuria. The Government also established agricultural experimental stations at Koshan in 1934 and at Ningan, Chinchou, and Harbin in 1935, as well as several agricultural meteorological stations at various places. The Immigration Section in the Department of Civil Affairs and the Reclamation Section in the Department of Industry were newly created for the purpose of fostering and supervising agricultural settlements.

Outside of the Government, two institutions were launched for the furtherance of agricultural interest. The Manchurian Agricultural Products Institute was established in June, 1935, through the cooperation of the Manchoukuo Government, the South Manchuria Railway Company, and the Kwantung Bureau, as a central clearing organ of exporters and dealers of agricultural products and related organizations. Its purpose is to foster improvement and development of Manchurian agricultural products and proposes to investigate their foreign markets and competitive products, to study and promote the rationalization of their transaction, to investigate and encourage their increased utilization, to publicize them and goods manufactured therefrom, and to gather and give information concerning them. The other institution, the Central Institute of Manchurian Agricultural Associations was

established in October, 1935, through the initiative of the Manchoukuo Government, the South Manchuria Railway Company, the General Direction of Manchoukuo State Railways, and the Kwantung Bureau for the purpose of correlating Japanese agricultural associations in Manchuria and to foster a healthy development of agricultural economy in Manchuria. It hopes to embrace Manchoukuoan agricultural associations in the future and to make the whole of Manchuria its stage of activities.

Three agricultural experimental stations, eight experimental farms, six seeds farms, and 15 nurseries of the South Manchuria Railway Company continue to contribute much toward the improvement of seeds and crops, the diversification of crops especially by adopting to Manchurian climate and profitably cultivating such products like cotton and tobacco, and the upliftment of farming life in general. The General Direction of Manchoukuo State Railways has also started similar agricultural experimental stations at Hsingcheng in 1934 and at Harbin in 1935. In the field of practical farming, the South Manchuria Railway Company instituted in 1933 an actual management of some 500 acres of rice fields near Tsaohokou on the Mukden-Antung Line. This practical experiment is carried on with a view to discovering the merit or demerit of introducing large-scale, scientific method of agriculture to Manchuria.

It should be noted also that the transfer of the North Manchuria Railway is destined to have a far-reaching result upon the future agricultural development in North Manchuria. The North Manchuria Railway policy of maintaining prohibitively high freight rates hampered the southward movement of agricultural products and played havoc with the South Manchuria Railway Company and General Direction of Manchoukuo State Railway freight movement, thereby affecting the price situation and impeding the smooth transactions. The same policy also obstructed the movement of goods northward, thereby placing the farmers in North Manchuria in a disadvantageous position as consumers facing high prices. These disturbing elements in the agricultural economy of North Manchuria were swept away by the complete readjustment of freight rates following the railway transfer (See above, Section 21).

#### (4) Cotton Cultivation in Manchuria

Cotton is produced almost exclusively in South Manchuria, especially in the districts between Tashihchiao and Liaoyang on the S. M. R. main line and south of Chinchou on the Mukden-Shan-



haikuan Line. The S. M. R. experimental stations have been experimenting upon the cultivation of cotton and its adaptation to the Manchurian soil and climate for years, and the Manchoukuo Government has adopted a positive policy in encouraging the farmers to grow cotton. The Manchoukuo cotton cultivation policy thus adopted includes the cultivation of native cotton varieties, the encouragement of the cultivation of the early growing American species in the southern half of the Liaotung Peninsula, and the increasing of the utilization value of the native cotton for spinning medium-sized yarns.

In view of the important bearing which cotton has upon the national economy of both Manchoukuo and Japan, a twenty-year plan was evolved through the Japanese initiation to open up 300,000 cho (about 297,300 hectares) of cotton fields and to produce 150,000,000 kin (about 89,820 metric tons) of cotton in thirty years. As an organ for realizing such a plan and for encouraging the cotton cultivation among the native farmers, the Manchuria Cotton Association was established in April, 1933. Then also, for the purpose of guaranteeing the purchase of cotton and increasing the general welfare of the cotton growers, the Manchuria Cotton Company was established in April, 1934, with a capital of 2,000,000 yen. These two bodies began to operate very much like the two wheels of a cart. The Manchuria Cotton Association organized branches in the seven leading cotton growing Prefectures, stationed experts for the purpose of teaching and encouraging the best methods of cotton cultivation, publicized the best species, supervised the cotton growing unions, and introduced various facilities for the work. Thus, it distributed 350,000 kin of cotton seeds in 1933 and 600,000 kin in 1935. The Manchuria Cotton Company established spinning mills at Chinchou, Tahushan, Liaoyang, and Tashihchiao, opened purchasing offices in the leading cotton centers, and began to buy up cotton at an official price determined by the Government. Seeds obtained at the mills were turned over to the Manchuria Cotton Association for distribution. The Manchoukuo Government established an agricultural experimental station at Chinchou to aid the experimental works.

During 1933 the weather conditions were good and the amount of cotton production was on the whole satisfactory and the cotton growing in Manchuria received a most providential start. In 1934, however, the weather conditions were bad and the progress was slow. According to the estimate of the Manchuria Cotton Association the cotton fields covered 92,870 cho (92,034 hectares) and

produced 138,843,608 kin (83,080 metric tons) of cotton in 1934. Both of these figures decreased considerably in 1935, 56,971 cho (56,458 hectares) and 63,516,264 kin (38,034 metric tons) respectively. The causes of this decided decline were all unavoidable: scarcity of snow fall during the previous winter, early draught which prevented the proper seeding, rain late in April enabled the seeding but growth was unsatisfactory and the rainy season which followed produced unnatural growth, and good weather during August and September was followed by sudden cold wave which again adversely affected the riping. In Jehol Province where the weather conditions were extremely favorable, the production actually increased from 118 kin per tan in 1934 to 141 kin per tan in 1935.

Under such circumstances, the twenty-year plan which was drawn up in 1933 was temporarily discontinued in 1936 and a three-year investigation of fundamental conditions was instituted. However, the Manchuria Cotton Association is continuing its policy of increasing the cotton cultivation in Manchuria by distributing 1,400,000 kin of seeds. The Manchuria Cotton Company also faced readjustments in various ways to meet the new situation.

#### (5) *Problem of Moist Beans*

The Mother Nature was extremely unkind to the farmers in Manchuria during 1934 and 1935, some of which results have been noted already. The problem of "moist beans" was another vexing problem which tremendously affected the staple produce industry in Manchuria.

The 1936 crop year, from October, 1935, to November, 1936, began with a heavy rainfall throughout Manchuria. When the heavy rainfall set in from the middle of October, the harvest season was about to begin and not more than 20 per cent. of the bean crop had been picked, leaving the remainder in the field at the mercy of continued rain. As a result, the soya bean crop this year has a large percentage of water content. Whereas the S. M. R. mixed storage bean of No. 1 and No. 2 grades containing less than 13 per cent. water comprised from 70 to 80 per cent. of the total crop in a normal year, this year such grades comprise only about 20 per cent. Thus arose a vexing problem of moist beans. Manchuria experienced a similar problem in 1921 and 1927, but the 1936 crop year far surpassed those of the previous years in the extent and amount of damages incurred.

Of the total soya bean crop forecast of some 3,889,000 tons,



the soya beans equivalent to S. M. R. mixed storage No. 4 grade with 14.1 per cent. or more water content comprise a substantial amount of 1,000,000 tons. Of this latter estimate, easily 70 per cent. comprise beans of 15.1 per cent. or more water content which are not acceptable for the S. M. R. mixed storage. While crop damages from moisture were not so heavy in South Manchuria, they were markedly noteworthy in North Manchuria, especially along the Harbin-Peian and Harbin-Manchouli Lines where the crops with water content as high as 30 to 35 per cent. were reported.

Under such circumstances, the general movement of soya beans was not smooth and the soya bean quotations took a sharp rise. The spot quotation at Dairen rose as high as 6.00 yen per 100 kin on October 22, 1935, the highest in recent years. This situation, coupled with the difficulties in effecting deliveries as a consequence of the shortage of spot beans, forced the Dairen Produce Exchange to close from the afternoon of October 22 till November 1, during which interval the price at which book entries were to be made for spot delivery was fixed at 5.40 yen per 100 kin. On November 12, the afternoon market was closed again at Dairen and also at the Hsinking Produce Exchange for the near delivery and again for one day on November 23. The Harbin Produce Exchange was forced to close on November 24 for similar reasons. To relieve the shortage of No. 1 and No. 2 grade of soya beans, the Dairen Produce Exchange permitted the substitution of No. 3 grade in place of No. 1 and No. 2 grades on October 25. This measure appeared to have relieved the situation for a while but the arrival of moist beans in increasing amounts and the continued drop in their quality tended to impede the transactions and to disorganize the market.

The situation thus became serious and a possible staple produce crisis was feared. Consequently, those who are connected with the agricultural produce industry, under the leadership of the Manchuria Agricultural Products Institute, carefully discussed the question on several occasions. As a result, an arrangement was made to expedite the movement of moist beans and their consumption by the bean-oil mills to whom the water content of beans is not much of a question. The first point was satisfactorily effected through the cooperation of the South Manchuria Railway Company and the General Direction of Manchoukwo State Railways, while the second procedure was helped by the exporters, the South Manchuria Railway Company, and the General Direction of Manchou-

kuo State Railways through the granting of subsidies. The whole problem of moist beans continue to give an added subject for serious studies to the leaders of the agricultural produce industry.

### 30 Improvement of Live-Stocks

The Manchurian and Mongolian natives being originally hunting tribes, their chief industry was live-stock farming, especially horse breeding. With the coming of the Chinese, the rich pastoral lands were gradually placed under the plough, particularly in South Manchuria. Yet, today, a shadow of the old pastoral age is visible in Jehol and four Hsingan Provinces where the inhabitants are still devoted to live-stock breeding. The farmers in Manchuria, moreover, generally keep a number of oxen, horses, mules, and donkeys for breeding, farming, and transportation purposes. Sheep and pigs are also extensively raised in Manchuria and Inner Mongolia. All told, the Agricultural Administration Bureau estimated that there were, at the end of 1935, 1,294,868 cattles, 1,818,772 horses, 1,242,310 mules and donkeys, 2,246,897 sheep, and 5,245,249 pigs (For details, see Appendix III, No. 4).

As the native live-stocks are of inferior breed, however, the Manchoukwo Government announced, in its ten year program of economic reconstruction, to execute the following measures for their improvement:

1. The existing breed of horses will be improved upon by introducing Arabs and Anglo-Arabs and other superior strains, as a result of which at least 2,000,000 select heads are to be obtained.
2. Merino will be introduced to improve the existing stock of sheep, and at least 4,000,000 of the present species are to be replaced by the improved variety.
3. Cattle of superior quality will be increased by selecting at least 2,700,000 heads.
4. Hogs will be improved chiefly by introducing Berkshire, and their production will be increased to meet the need of home consumption.
5. A system of live-stock hygiene will be established so as to contribute to the stabilization of the stock raising industry and increase live-stock resources.
6. Pastures will be improved to increase the number of domestic beasts.

This program is now being gradually unfolded. Especially important is the effort exerted toward the improvement of the existing stock of sheep and the increase of wool production.

The most important step taken during the period under review was the adoption by the Departments of Industry and Mongolian Affairs jointly in 1934 of a program to improve and to raise 15,000,000 heads of sheep. As a first step in realizing that end, the Department of Mongolian Affairs established sheep farms at



Hailar and Paichengton, each with 500 heads of ewes for breeding in 1935. The Department of Industry also established two sheep farms, one at Chaoyang with 300 heads of ewes in 1935 and another at Chihfeng with 150 heads of Merino and 500 heads of native sheep in 1936. In July, 1935, the Manchoukuo Government also imported from the United States 300 heads of Merino, promulgated the Regulations for Live-Stock Breeding, and made an auspicious start in officially fostering the increase of sheep in Manchuria. Moreover, the Department of Mongolian Affairs imported 3,000 heads of sheep from Chahar for its Sheep Improvement Association and distributed them among natives of West and South Hsingan Provinces.

The South Manchuria Railway Company for years has been conducting experimental stations and has produced many admirable results which actually paved the way for the Manchoukuo Government enterprises. It also pioneered the experiment with sheep farms, one at Heishantung and the other at Tarhan, where there were 1,838 and 2,257 sheep, respectively, at the end of March, 1936, and which have proven extremely satisfactory. In like manner, the General Direction of Manchoukuo State Railways also established three sheep farms, one at Paichengton in 1934 and the others at Yangchuantou and Paichia in 1935, each having 300 heads of ewes and 25 heads of rams for breeding purposes. It also distributed 400 heads of Merino as breeders and 6,000 heads of native sheep through its Railway Offices at Harbin, Tsitsihar, Hsinking, and Mukden. Its records in this work for the past three years are as follows:

GENERAL DIRECTION AND DISTRIBUTION OF  
SHEEP, 1933-1935

Species	1933	1934	1935	Total
Merino .....	50	229	400	779
Native Sheep .....	1,500	1,500	6,000	9,000

In 1934 was established, moreover, the Japan-Manchoukuo Sheep Association (Japanese Government, 1,000,000 yen; South Manchuria Railway Company, 300,000 yen; and Wool Industry Association, 700,000 yen) for the purpose of fostering the wool production in Manchuria. This Association imported 2 heads of Merino and 40 heads of Koldier in 1935 and distributed them among the Japanese settlers in Sankiang Province.

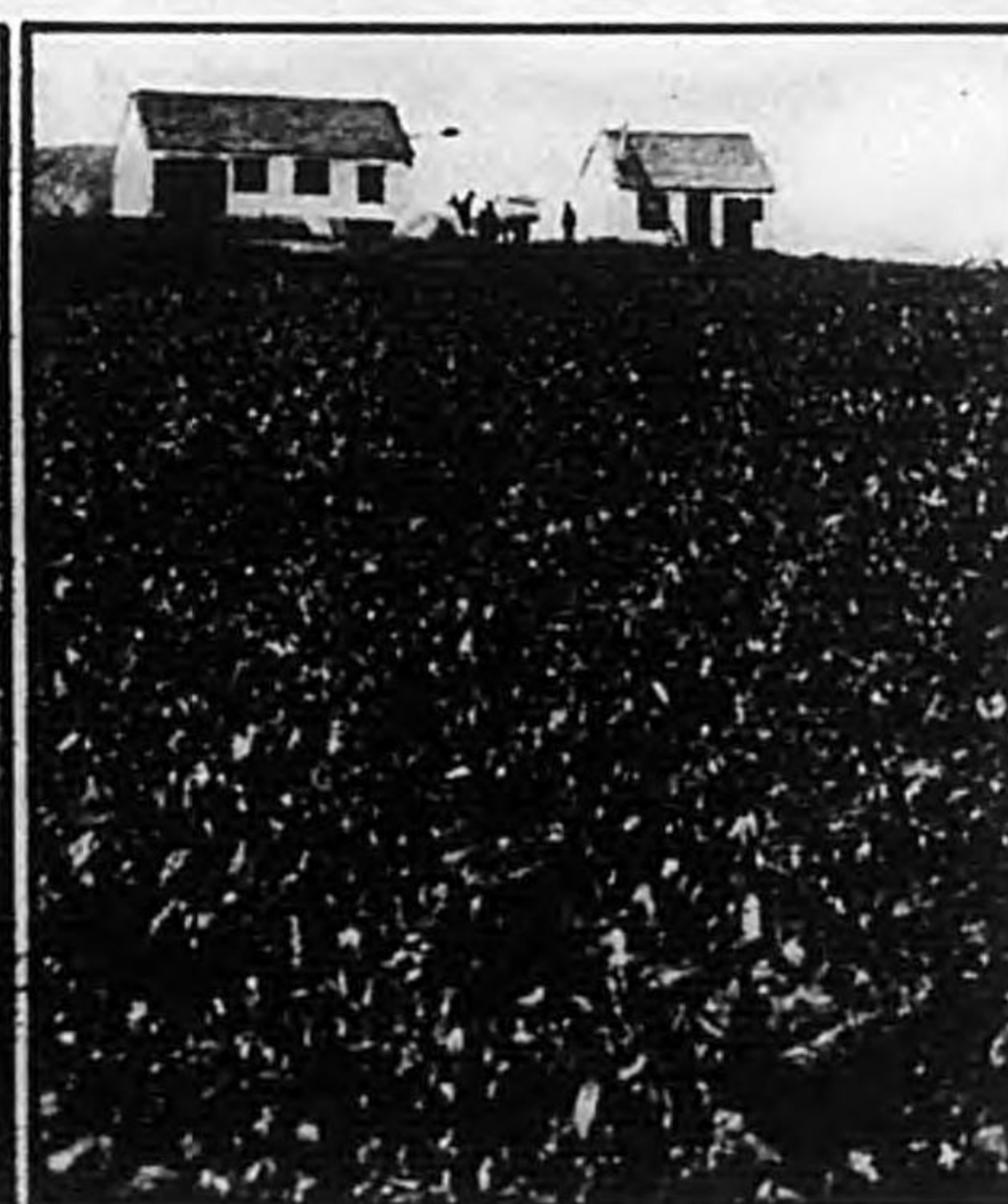
In the improvement and increase of pigs, the Manchoukuo Government launched its policy of distributing pigs for breeding purpose in 1934, while the South Manchuria Railway Company for years has been carrying on various experiments in pig-breeding at its Kungchaling Agricultural Experimental Station. The General



The Wool Production in Hsingan Province



The Tobacco Culture in Manchuria



The Cotton Growing in Manchuria



Increasing Areas of Salt Fields in Manchuria



Direction of Manchoukuo State Railways, however, pushed this program more vigorously for the purpose of improving pigs along its railways. During 1934-1935, it established pig farms at Paicheng-tzu, Shanchengchen, Suihua, Kirin, and Nuerhho. It also distributed 60 heads of Berkshire pigs for breeding purpose in 1933, 440 heads in 1934, and 900 heads in 1935, making a total of 1,400 heads for three years.

For some years the S. M. R. Agricultural Experimental Station at Kungchuling was the only place where systematic experiments in horse breeding was carried on. There the native Manchurian and Mongolian horses have been undergoing experimental breeding through the use of various world-famous breeds. In 1934, the Manchoukuo Government established a stallion farm and began to foster horse breeding. The General Direction followed it in 1935 by establishing another stallion farm near Harbin. The improvement of cattle is also receiving a serious attention.

In the field of veterinary science and animal hygiene, also, the South Manchuria Railway Company had pioneered. Its Veterinary Institute at Mukden, established back in 1925, not only conducts researches in contagious diseases and epidemics which are common among domestic animals, but also manufactures various kinds of sera and prophylactics which are indispensable in the treatment and prevention of such diseases and epidemics. The Manchoukuo Government, through the cooperation of the Departments of Industry and Mongolian Affairs, has also made various disease-preventing preparations and is successfully enforcing inoculations for the purpose of checking the infiltration of various animal diseases. For a similar purpose, the General Direction of Manchoukuo State Railways maintains two veterinary institutes, one at Harbin and the other at Hailar, and four branches, all in North Manchuria.

And thus a new era in the improvement of live-stocks is at last dawning over Manchuria. Much of the foundation of that new era seems to have been laid by the S. M. R. experts who patiently labored for years at the Kungchuling Agricultural Experimental Station.

### 31 Manchoukuo Mining Regulations

Minerals in Manchuria, though limited in variety, are abundant. According to a survey of the Geological Institute of the South Manchuria Railway Company, "coal, iron, magnesite, dolomite, and talc are most important in quantity of deposit; and second to these



are gold, copper, lead, barytes, feldspar, and asbestos." Manchuria is fortunate in having abundant iron and coal, estimated at over 800,000,000 tons and 4,800,000,000 tons respectively, for modern heavy industry and magnesite, estimated at 5,000,000,000 tons, and other metals for the light metal industry. The latter is particularly fortunate, since magnesite when turned into metallic magnesia can be used as an effective substitute for aluminium.

In view of the importance of mining industry in the national economy of the country, the Manchoukuo Government announced in 1933 its general policy governing the exploitation of mineral resources:

1. The control of coal mining by the Government to secure rational exploitation, cheap supply of fuel, development of productive industries, and increase in exports.
2. The formation of a special corporation of semi-official nature for the investigation, management, and exploitation of those mines which are essential to national defence.
3. The division of gold operations into State owned and private enterprises, entrusting the former to special corporations and giving proper guidance and assistance to the latter.

In accordance with this general policy, three special corporations were established during 1934 (See below, Section 36). The Manchuria Petroleum Company was established in February for the purpose of engaging in oil drilling, refining, and sales and allied activities, and since became the back-bone of the oil monopoly policy of the Government. The Manchuria Gold Mining Company was established in April for the purpose of developing the State-owned gold mines and alluvial gold beds in the country. The Company since discovered extremely promising gold deposits in the Chientao and Heiho districts and its future activities are awaited with great expectations. The third of the trio, the Manchuria Coal Mining Company, was established also in April for the purpose of operating and unifying under one management all coal fields in Manchuria other than those operated by the South Manchuria Railway Company. Its Hsinchiu coal fields are believed to provide the Company with another open-cut operation in Manchuria, second only to that at Fushun. Also promising are the Peipiao coal fields which were brought under its control in 1935.

The long-awaited Mining Law, consisting of 105 Articles, was completed by the summer of 1935, being promulgated on August 1 and enforced on September 1 (See Appendix III, No. 7). This Law, which replaced the old Chinese Mining Law of 1930, covered forty enumerated minerals and decreed that "No person other than a subject of Manchoukuo or a juridical person created in accordance

with the laws and regulations of Manchoukuo shall become a holder of a mining right," with the exception of "those who have secured special permission from the Minister of Industry" (Article IV). It also stipulated that "In case it is deemed necessary for national defence or preservation of national resources, applications for mining may be restricted by designating the districts or minerals concerned by Imperial Ordinance" (Article IX). All minerals not yet mined were made the State property (Article III). The Regulations Governing Mining Registration, Mining Taxes, and Registration Fees were also promulgated on the same date, becoming effective with the Mining Law. The process of controlling the mining operations in Manchuria was completed by the establishment, by an Imperial Ordinance issued on the same date, of the Manchuria Mining Development Company (See below, Section 36). Its main functions are to acquire mining rights, to refine ores, to finance mining and refining enterprises, and to conduct other allied enterprises.

The above regulations do not affect the various mining rights which the South Manchuria Railway Company possessed before 1934 and the Company continues to operate Fushun and Yentai Collieries and their affiliated enterprises. Its Anshan Iron Works was reorganized as the Showa Steel Works in June, 1933, and, after expanding its equipments, commenced production in 1935 (See below, Section 36). Through the cooperation of the South Manchuria Railway Company, moreover, the Manchuria Lead Mine Company was established in May, 1935, for the purpose of exploiting the promising lead mines at Yangchiachangtzu.

Thus the foundation of future exploitation in the field of mining was carefully laid during 1934 and 1935, and the activities of various special corporations are now being watched with great interest.

### 32 Development of Forestry Control

Manchuria possesses rich forestry resources. Its aggregate forest area is estimated at about 360,000 square kilometres and the standing timber at about 4,172,000,000 cubic metres, an average of 11,600 cubic metres per square kilometre. This represents almost one-third of the total area of Manchuria. In Japan, the forest area covers about three-fifths of her total area and in the United States about one-fifth.

The lumbering on a large scale, however, is relatively a new enterprise in Manchuria. Under the former military regime, no



### 33 Fishery in Manchuria

Although the coast line of Manchuria from the north of the Yalu River on the east to Shanhaikuan on the west extends 976 miles and the Liaotung Peninsula cuts into the Yellow Sea and the Gulf of Pechihli, fishing had not developed into commercial scale until Japanese came to South Manchuria. Since the advent of the Japanese administration in the Kwantung Leased Territory, the industry has been fostered gradually, especially with the introduction of improved appliances. It is, however, still very young and the whole industry is not regarded as important.

The fishing population in the Kwantung Leased Territory is about 23,000 natives and 450 Japanese and the annual catch in 1934 aggregated 43,921 tons valued at 5,016,444 yen. The amount of catch by the Japanese fishermen alone totaled 23,376 tons valued at 3,055,786 yen in 1934 and 22,120 tons valued at 3,205,325 yen in 1935. The following are the figures since 1931:

#### FISHERY IN KWANTUNG LEASED TERRITORY, 1931-1935

Years	Amount of Catch in Ton	Value in Yen
1931 .....	35,021	3,150,750
1932 .....	41,893	4,104,249
1933 .....	46,812	4,272,881
1934 .....	43,982	5,016,444
* 1935 .....	26,591	3,205,325

\* Japanese only.

The latest figures relating to the fishery industry outside of the Kwantung Leased Territory can not be obtained, but the annual production is estimated to be worth about 4 million yuan. According to the Marine Products Bureau of the Manchoukuo Government, some 8,800 fishermen caught an aggregate of 10,000 tons in 1935.

The fresh-water fishery in Manchuria can not be overlooked. A large number of natives work all the rivers, notably the Liao and the Yalu in South Manchuria and the lower reaches of the Sungari and the Amur in North Manchuria. The annual catch in these rivers is estimated at as much as 3 million yuan in value.

Manchoukuo is not primarily a fishing country but the Government is paying a serious attention to the development of various marine products. Thus, the Marine Products Bureau at Yingkou was reorganized in 1934 and the Marine Products Experimental Station was established at Harbin in 1935. The development of marine resources in Manchoukuo outside of salt, therefore, still belongs to the future.



The "Iansen" or Carnival Boat on the Sungari River



The "Iansha" or Carnival Train of the General Direction



The Festival of "Niang-niang" at Meichenshan, Tashihchiao



### 34 Expansion of Salt Manufacture

The manufacture of salt is one of the three important industries in Manchuria. All along the sea coast of Fengtien Province, especially the districts around Newchuang, Kaiping, and Fushien, all facing the Gulf of Pechihli, and the coast around the Kwantung Leased Territory are noted for this industry.

Because the salt revenue constitutes an important source of its national income, the Manchoukuo Government, in cooperation with the Kwantung Government, is studying the ways and means of augmenting the production of salt along its shores but its final program has not yet been formulated beyond the strengthening of the salt administration. Meanwhile, the most important salt fields which produce salt for Manchoukuo are the Liaotungyeni and the Liaohsiyeni. The area of these and other salt fields was estimated at the end of 1935 at about 14,560 hectares, producing some 395,518 tons of salt during 1935 or about 27 tons per hectare. In addition, in the district toward the southwest of Hailar are several salt lakes, such as the Dalainor and the Bornor, and these add to the total salt production by about 1,200 tons a year. An extensive deposit of rock salts was recently discovered in Lungkiang Province.

The salt manufacture in the Kwantung Leased Territory was at one time extensively conducted but maladministration and warfare caused the industry to wane. It was revived under the Japanese regime and has made a steady development since. At the end of 1935 the salt fields within the Kwantung Leased Territory totaled 8,575 hectares, of which almost 1,200 hectares were the new fields opened during 1934-35. The record year in production was reached in 1935 when the total production amounted to 504,800 tons or more than double the average annual production.

#### A. AREA OF SALT FIELDS IN MANCHURIA (In Hectares)

Years	Kwantung Leased Territory			Manchoukuo	Total
	Japanese Management	Manchurian Management	Total		
1930	5,657	1,285	6,942	—	—
1931	5,984	958	6,942	—	—
1932	5,977	952	6,929	—	—
1933	5,977	952	6,929	7,896	14,825
1934	6,181	836	7,017	9,522	16,539
1935	7,115	860	8,575	14,560	23,135

#### B. SALT PRODUCTION IN MANCHURIA (In Metric tons)

Years	Kwantung Leased Territory	Manchoukuo	Total
1930	242,741	269,632	512,373



Years	Kwantung Leased Territory	Manchoukuo	Total
1931	204,823	199,986	404,809
1932	224,674	221,008	445,682
1933	290,589	311,761	602,350
1934	242,381	161,944	404,325
1935	504,800	395,518	900,318

The most significant point in connection with the salt industry during 1934-36 has been the sudden expansion of the industry in the Kwantung Leased Territory. During 1934 some 204 hectares of new salt fields were added, but the year 1935 saw an addition of no less than 934 hectares of new fields. Further expansion is promised with the launching of the Manchuria Salt Industry Company.

The organization of the Manchuria Salt Industry Company has been receiving a careful study and a special survey of conditions was made in 1934 and various plans were evolved by several interested organizations. As a result of conferences between the representatives of various Government Departments at Tokyo and of the Manchoukuo Government, an agreement was finally reached early in 1936 and the Company was established in April as a Japan-Manchoukuo joint corporation with an authorized capital of 5,000,000 yen. The Manchoukuo Government subscribed 1,250,000 yen, the South Manchuria Railway Company 1,000,000 yen, the Nippon Salt Industry Company 1,500,000 yen, and five other Japanese corporations the remainder. The Company began its operation on May 1, 1936, and plans to improve 1,400 hectares and 2,200 hectares of salt fields respectively during the first and second periods of four years each. These improvements will cost 4,312,000 yen. At first the production will be limited to 15,000 tons of salt and various by-products of salt a year (See below, Section 36).

The salt industry in Manchuria saw two other interesting developments during the years under review. One was the perfection of the freezing methods of salt manufacture which were successfully accomplished by the Kwantung Salt Experimental Station. During 1935, four freezing methods were perfected. These methods will help to institute the salt manufacture during the winter season and are believed to increase the total production by at least 20 per cent.

The other was the stimulus which the Italo-Ethiopian crisis gave to the industry in Manchuria. Due largely to the phenomenal growth of chemical industry in Japan, the projected import of salt in 1935 amounted to some 1,300,000 tons. Of this amount, Japan hoped to secure 200,000 tons each from the Kwantung Leased Territory and Tsingtao and 100,000 tons each from Manchoukuo and Taiwan. Of the remaining 700,000 tons some 300,000 tons were to

be imported from East Africa, especially Eritrea and Italian Somaliland. The Italo-Ethiopian crisis almost completely cut the supply from those sections. The emergency gap was fortunately filled by the almost doubled production in the Kwantung Leased Territory. This experience gave a new outlook into the salt industry in Manchuria.



## VI INDUSTRIAL EXPANSION

### 35 Manchoukuo Policy of Industrial Control

The Manchurian Incident of 1931 signalized the opening up of an unprecedented industrial era in Manchuria by releasing the suppressed energies for Industrial expansion. The overthrow of the military dictatorship and the consequent establishment of Manchoukuo meant a complete shift from the famed squeeze system and irrational exploitation of natural resources to the controlled economy and rational development of those resources. This shift in the national economic policy was clearly enunciated by the new Government in its "General Outline of the Economic Construction Program of Manchoukuo" which was announced on March 1, 1933.

The fundamental policy of the new economic construction program was to avoid the baneful effects of unbridled capitalism and to utilize the fruits of capitalism through the application of a certain measure of national control so that a sound development in all branches of the people's economy may be realized. In line with such general idea, it defined a four-fold national economic policy as follows:

"Firstly, the interests of the people as a whole will be made the keynote and efforts will be made to prevent any exclusive class of people from monopolizing the benefits of the exploitation of natural resources and the development of industries, and to enable all to enjoy such benefits.

"Secondly, in order to develop all natural resources most effectively and to secure a coordinated development of every branch of economy, national control will be exercised on important economic activities and resources for their rational utilization.

"Thirdly, in the work of selecting resources and encouraging industries, the principle of the open door and equal opportunity will be observed. In the spirit of this principle, capital investments from various parts of the world will be invited, with appropriate and efficient use will be made of the technical skill and experience and other means of civilization from advanced nations.

"Fourthly, with a view to increasing and rationalizing economic relations among Japanese, Manchoukuo, and other nations, the close economic interdependence between Japan and the country, emphasis will be placed upon economic cooperation between the two nations, and thereby realizing more intimate relations of mutual assistance."

The "General Outline" then defined the limits within the scope of which the Government ought to control the national economy. It proposed the "official management of special companies" for those enterprises which are important from the standpoint of national defence or which are in the nature of public utility or public interest, and the "the management of private parties" for those industries

and resources not included within the above category," however effecting proper and necessary adjustment in the spheres of both production and consumption in order to promote national happiness and welfare as well as to maintain the livelihood of the people.

This general policy was to be applied most significantly in the development of mining and manufacturing industries. In the field of mining, it promised unification of various coal mines and rationalization of production and supply, assignment to special corporations of the mining rights of mineral resources essential for national defence, and classification of alluvial gold and gold mines into State-owned and private-owned, the latter being opened to public exploitation. In the field of manufacturing industries, the group which required the development "by degrees under necessary control according to domestic demands" included metallic industry, machine manufacture, oil milling, pulp industry, soda manufacture, alcohol manufacture, tussah silk industry, spinning industry, flour milling, cement manufacture, and brewing and distilling industry. Other industries were to be left in the sphere of free development, the Government reserving the right to introduce national control "whenever necessity arises." Moreover, the electrical industries were to be placed under unified management in order to provide the country with a sufficient supply of power at low cost. It also announced the contemplated establishment of "industrial districts" in Mukden, Antung, Harbin, and the vicinity of Kirin "in order to stimulate a healthy development of industries and to secure the benefits of concentrated establishments."

The fundamental policy of national control thus outlined was further clarified before the close of 1933. Various mining and manufacturing industries were to be divided into three general categories in accordance with the degree of national control necessitated. The first group was placed under the official or semi-official management or special corporations and included (1) gold mining in the State-owned mines, (2) mining of mineral resources essential for national defence, (3) light-metallic industry, (4) iron and steel works, (5) shale oil industry, (6) electric industry, (7) explosive industry, (8) opium and cocain industry, and (9) weights and measures industry. The second group comprised those industries which necessitated special Government permits for operation and included (1) wool and cotton industries, (2) gold mining outside of the State-owned mines, (3) coal and other mining not included in the first group, (4) oil refining industry, (5) gas industry, (6) automobile industry, (7) sulphuric ammonia industry, (8) alcohol industry, (9) soda industry,



and (10) tobacco industry. The third group which was left to the free enterprise included all others such as (1) industries growing out of agricultural and live-stock products, (2) lumbering, (3) pulp and paper manufacturing, (4) sugar refining, (5) flour milling, (6) brewing, (7) food products, (8) oil milling, (9) cement industry (subject to the control of production), (10) textile industry, (11) dyeing industry, (12) tanning industry, (13) general drug manufacturing, (14) machine industry, and (15) ceramic industry.

It is with such a basic policy of national economic control that Manchuria has been witnessing a phenomenal industrial expansion since 1933.

### 36 Development of Industrial Control

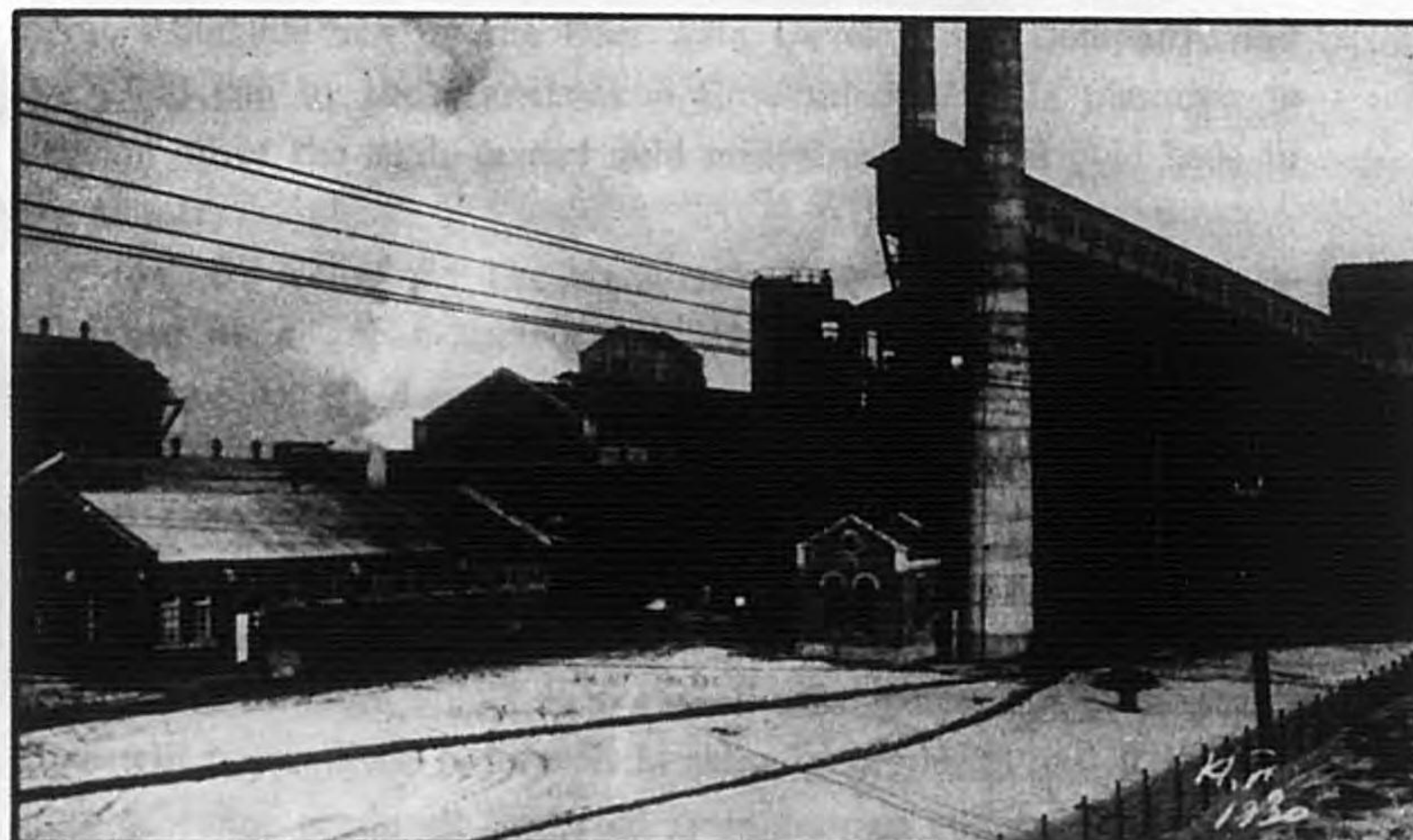
The most significant trend in the industrial development in Manchuria during 1932-36 has been the rise of industries under the general policy of controlled national economy as above outlined. Outstanding developments within the spheres of the first and second groups during 1932-36 may be noted here in their general outline.

(1) *Steel Industry.* Looking forward to the production of iron and steel under one management, the Showa Steel Works was established at Anshan, upon the foundation of the existing equipment of the Anshan Iron Works, on June 1, 1933, and commenced production in 1935. Its authorized capital is 100,000,000 yen provided entirely by the South Manchuria Railway Company. Its first stage plans involve the production of 450,000 tons of pig iron and 400,000 tons of steel materials a year. In addition to the original iron mines at Anshan, it has also purchased the iron mines at Kungchangling. It is reported that the Showa Steel Works will eventually incorporate the Penhsihu Colliery and Iron Works now under the management of the Okura Company and unify the production of iron and steel in Manchuria.

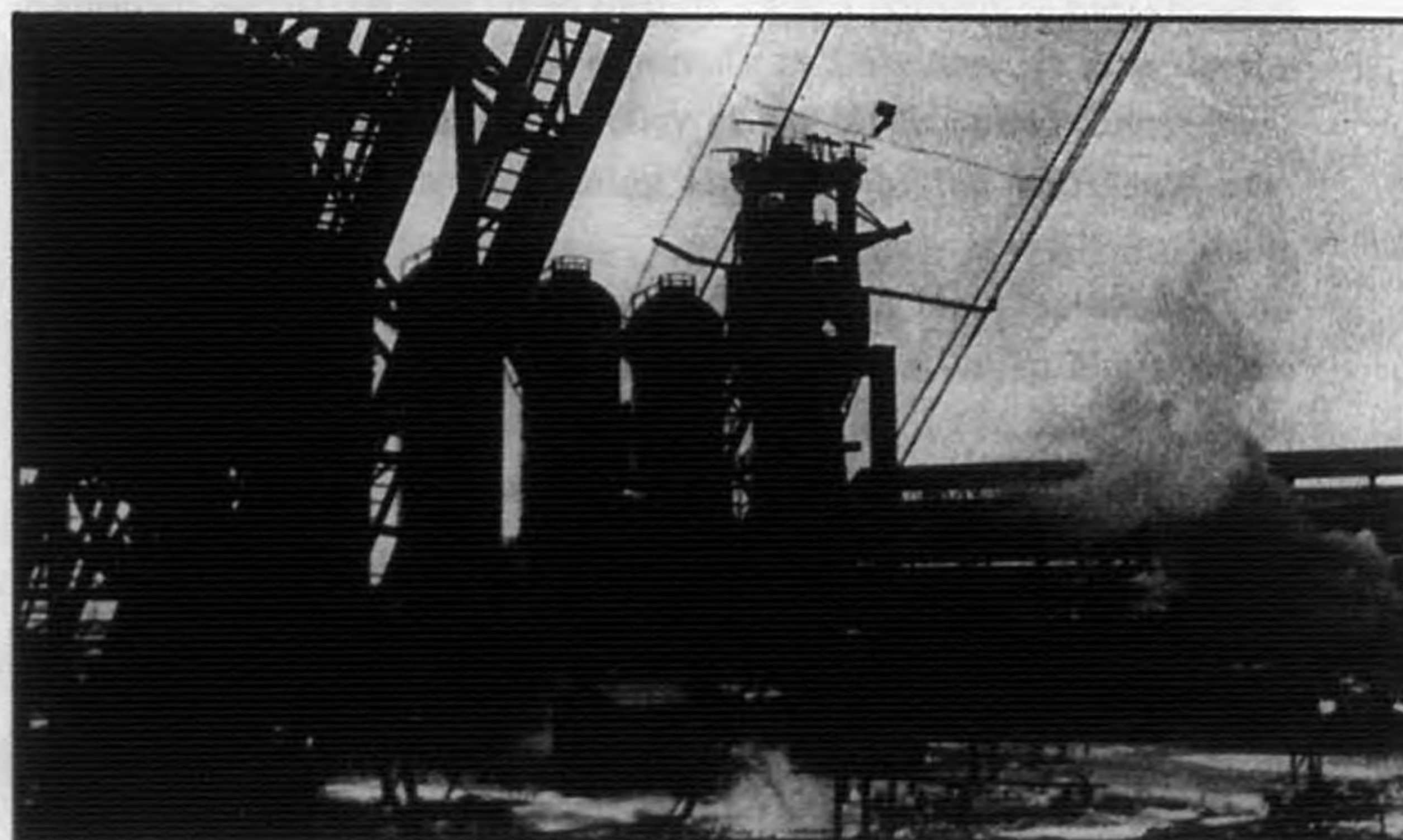
(2) *Coal Mining.* Before 1932, the Fushun and Yentai Collieries of the South Manchuria Railway Company and the Penhsihu Colliery of the Okura Company were the leading coal-producing concerns in Manchuria. For the operation of the other promising coal fields in Manchuria under the new national policy of control, the Manchuria Coal Mining Company was established in April, 1934. It is a Japan-Manchoukuo joint corporation with an authorized capital of 16,000,000 yen. Of this capital, the South Manchuria Railway Company provided 8,000,000 yen (3,000,000 yen in cash and 5,000,000 in mine properties), the Manchoukuo Government 8,000,000 yen in



The Open-cut Mining, S. M. R. Fushun Collieries



The S. M. R. Shale Oil Plant, Fushun



The Showa Steel Works, Anshan



properties, and the Central Bank of Manchou the remaining 1,200,000 yen also in properties. Its coal fields comprise the leading coal mines of the country such as Fuchou, Pataokou, Weimingshan, Foushin, and Hsinchiu and the special coal fields such as Peipiao, Hsian, and Hualikang. It plans to buy up smaller coal fields eventually and thus unify under one management the coal production in Manchuria except those under the management of the South Manchuria Railway Company and the Okura Company. Its Hsinchiu coal fields are believed to provide the Company with the second great open-cut operation in Manchuria.

(3) *Gold Mining.* The Manchuria Gold Mining Company was established in May, 1934. It is a Japan-Manchoukuo joint corporation with an authorized capital of 12,000,000 yen. Of this capital, 5,000,000 yen were furnished by the South Manchuria Railway Company, 2,000,000 yen by the East Asia Development Company, and 5,000,000 yen by the Manchoukuo Government. It is planning to develop all of the State-owned gold mines and alluvial gold beds in the country.

(4) *Oil Refining.* The Manchuria Petroleum Company was established as a Japan-Manchoukuo joint corporation in February, 1934. Its authorized capital is 5,000,000 yen, furnished by the Manchoukuo Government, the South Manchuria Railway Company, the Mitsui Company, the Mitsubishi Company, the Nippon Petroleum Company, and the Ogura Petroleum Company. It was established for the purpose of engaging in oil drilling, refining, sales, and allied activities. Its main object is to exploit oil deposits but considerable time will be required before oil is actually produced and it is planning to refine crude oil imported from foreign countries. For this latter purpose, the Company has already established a refinery at Kanseishi across the Bay from Dairen. The Company is also engaged in the production of crude oil, especially at Dalainor. It is today the back-bone of the oil monopoly policy of the Manchoukuo Government and the central organ of refining and distributing petroleum products in Manchuria.

(5) *Alcohol Industry.* The Daido Alcohol Manufacturing Company was established in November, 1933, as a Japan-Manchoukuo joint enterprise with an authorized capital of 1,670,000 yen. The foundation of the Company was Mr. Hsu Peng-chih's private enterprise in North Manchuria which was bought up by the new Company. The chief interest in the new Company is held by the East Asia Development Company but Mr. Hsu continues to serve as its President. It aims to expedite the nationalization of fuel pro-



duction, to produce alcohol and allied products, and to improve agricultural industry. At present it has three factories in Harbin and Imienpo and plans to absorb lesser organizations in North Manchuria. Already six small companies went out of business as a result of its organization. It is carrying on researches for the improvement of the industry, notably the further perfection of alcoline and the production of waterless alcohol. The South Manchuria Alcohol Manufacturing Company is now under contemplation for the purpose of unifying and controlling the market in South Manchuria.

(6) *Shale Oil Industry.* The shale oil industry was perfected by the experts of the South Manchuria Railway Company as a part of its Fushun Collieries. The doubling of the production was completed in 1935 and some 80,000 tons of crude oil will be produced from 1936. In 1935, it produced some 65,000 tons of crude oil, 20,000 tons of crude paraffin, 5,000 tons of cokes, 22,000 tons of sulphuric ammonia, and 16,000 tons of benzine. The crude paraffin is taken to the Nippon Paraffin Refining Company's plant at Tokuyama, the S. M. R. subsidiary, and refined.

(7) *Liquefaction of Coal.* The Central Laboratory of the South Manchuria Railway Company has succeeded in perfecting a process for the liquefaction of coal and the Company has decided, in May, 1936, to establish a liquefaction plant at Fushun. The plans are now being perfected for the beginning of the enterprise in the near future.

(8) *Magnesium Industry.* The Japan-Manchoukuo Magnesium Company was established in October, 1933. Its authorized capital is 7,000,000 yen of which the South Manchuria Railway Company furnished one-half. The other large shareholders are the Chemical Research Institute and the Sumitomo Company, while the Mitsubishi Aircraft Works, the Furukawa Electric Works, and the Okinoyama Coal Mines Company also are the participants. It has bought up the magnesium plant of the Chemical Research Institute at Naoyetsu, established a new plant at Ube in Yamaguchi Prefecture, and plans to exploit magnesite mines in the district around Tashihchiao. The above two plants together have a capacity to produce some 500 tons a year.

(9) *Aluminum Industry.* Owing to the existence of an abundant supply of aluminum shale at Fuchou, Chinchou, Yentai, Penhsihu, and other parts, the South Manchuria Railway Company has established an experimental plant at Fushun for the purpose of conducting experiments in aluminum production. The establishment

of the Manchuria Aluminum Industry Company capitalized at 30,000,000 yen, is now under consideration. The Japan-Manchoukuo Aluminum Company was established in October, 1933, for a similar purpose.

(10) *Machinery Industry.* The Railway Workshops of the South Manchuria Railway Company at Dairen is the largest plant in this field. There were also the Dairen Machine Manufacturing Company and the Dock Shop of the Dairen Kisen Kaisha. The enforcement of the new national policy of control saw the establishment of two new corporations. The one is the Dowa Automobile Manufacturing Company which was established in March, 1934. Of its authorized capital of 6,200,000 yen, the South Manchuria Railway Company subscribed 3,800,000 yen, the Manchoukuo Government 200,000 yen, and six companies in Japan the remainder. One of its chief aims is to distribute in Manchuria the automobiles manufactured in Japan and an assembly plant was established at Mukden, producing some 1,000 automobiles during 1935. The other is the Manchuria Arsenal Corporation which was established in May, 1934, with the equipments of the former Mukden Arsenal as its foundation. It is capitalized at 1,500,000 yen and aims to manufacture machines of all kinds, to manufacture and repair railway equipments, and to produce cast iron products.

(11) *Ammonium Sulphate Industry.* The only organization which produced ammonium sulphate in Manchuria was the Fushun Shale Oil Plant of the South Manchuria Railway Company and the amount of production was negligible. Thus was established the Manchuria Chemical Industry Company in May, 1933. Of its authorized capital of 25,000,000 yen, the South Manchuria Railway Company furnished one-half and other interested firms in Japan the remainder. Its great plants at Kanseishi, across the Bay from Dairen, were completed in March, 1935, and can produce 200,000 tons of ammonia sulphate, 250,000 tons of sulphuric acid, and varying amounts of allied by-products a year. The production will be gradually increased.

(12) *Soda Industry.* With an abundance of electric power and salt and an increasing demand for soda, the plans for the establishment of the Manchuria Soda Company have been progressing for some time. The Company was finally established in May, 1936. Its authorized capital is 8,000,000 yen, of which the South Manchuria Railway Company furnished 2,000,000 yen, the Manchuria Chemical Industry Company 2,000,000 yen, the Asahi Glass Company 2,600,000 yen, and the Shoko Glass Company 1,400,000 yen.



Its plants will be established at Kanseishi and will produce 36,000 tons of soda a year.

(13) *Rayon Pulp Industry.* The Government of Manchoukuo has authorized four Japanese corporations in this field. They are the East Manchuria Rayon Pulp Company with an authorized capital of 15,000,000 yen, the Manchuria Pulp Industry Company with an authorized capital of 10,000,000 yen, the Japan-Manchoukuo Pulp Company with an authorized capital of 5,000,000 yen, and the Manchuria Pulp Company with an authorized capital of 20,000,000 yen. These Companies were all established in 1934. A lone Japan-Manchoukuo joint enterprise is the Manchuria-Mongolia Chemical Fibre Industry Company which established in 1933 with an authorized capital of 5,000,000 yen, 80 per cent. Japanese and 20 per cent. Manchurian. The Manchoukuo Government is reported to be planning to amalgamate them and to establish one corporation to control the pulp industry in Manchoukuo.

(14) *Oil Milling Industry.* There are no less than 3,000 bean-oil mills in Manchuria. The latest comer to this field is the Manchuria Soya Bean Industry Company which was established in 1934 with an authorized capital of 1,500,000 yen, of which the South Manchuria Railway Company furnished one-half and the Mitsui, Mitsubishi, Honen Oil Milling, and Nisshin Oil Manufacturing Companies the remainder. Its main object is to foster various phases of bean industry, especially the bean-oil milling.

(15) *Explosive Industry.* The Government of Manchoukuo is planning to control the manufacture, sales, and importation of explosives under its Monopoly Bureau and make them government enterprise. In consequence a special corporation is now being planned to take charge of the industry. Meanwhile, several small explosive manufacturing works are operating in Manchuria, mainly for the purpose of supplying the needs of the South Manchuria Railway Company.

(16) *Electric Power Industry.* The Manchuria Electric Industry Company was established in November, 1934. It is a Japan-Manchoukuo joint corporation with an authorized capital of 90,000,000 yen. This Company was established for the purpose of supplying electric light and power, to conduct affiliated enterprises, and to invest in allied enterprises. It aims to amalgamate all Japanese and Manchurian electric companies now operating in Manchuria and to effect a complete control and unification of the industry. That process of unification is now proceeding. It will also unify the electric power in Manchuria on the 50-cycle basis

and spread the electrification movement throughout Manchuria.

(17) *Weights and Measures Industry.* Under the new weights and Measures Law of January, 1934, the Manchoukuo Government has adopted the metric system for the country, thus unifying varying systems in vogue in Manchuria for years. As a consequence, the scales and measures were made a Government monopoly and their manufacture was entrusted to the Manchuria Weights and Measures Manufacturing Company. The Company was established with an authorized capital of 1,500,000 yen. The precision scales and measures are to be manufactured by the Manchuria Arsenal Works at Mukden.

(18) *Mining.* The Manchuria Mining Development Company was established in August, 1935. It is a special Japan-Manchoukuo joint corporation with an authorized capital of 5,000,000 yen, of which the Manchoukuo Government and the South Manchuria Railway Company each furnished 2,500,000 yen. Its main purposes are to acquire mining rights, to refine ores, to invest in and to finance mining and refining enterprises, and to conduct such allied enterprises as will be granted by the Manchoukuo Department of Industries in the future.

(19) *Salt Manufacture.* The Manchuria Salt Industry Company was established in April, 1936. It is a special Manchoukuo corporation with an authorized capital of 5,000,000 yen of which the leading subscribers are the Manchoukuo Government and the Japan Salt Industry Company, 1,250,000 yen and 1,600,000 yen respectively. The South Manchuria Railway Company furnished 1,000,000 yen. It was established for the purpose of exploiting and developing salt fields in Manchoukuo and of controlling the exportation of salt. It began its operations on May 1, 1936, with a view to exploiting 3,600 hectares of salt fields at Lapotzu and Wanghaitien in Fuhsien Prefecture within eight years and eventually producing 150,000 tons of salt annually. It also plans to produce additional 123,000 tons annually by improving the existing salt fields not belonging to the Company (See above, Section 34).

(20) *Forestry.* The Manchuria Forestry Industry Company was established on February 27, 1936, and commenced operations on March 1, 1936. It is a special Japan-Manchoukuo joint corporation with an authorized capital of 5,000,000 yuan of which the Manchoukuo Government subscribed 2,500,000 yuan. Its purpose is to exploit forestry industry chiefly within the Government forestry areas. At first it will confine its activities to cutting, trans-



porting, and selling lumber within specified areas in Kirin and Pinkiang Provinces. It amalgamated the Tatung Forestry Industry Company and took over the offices of the latter at Kirin at the time of the establishment (See above, Section 32).

In addition to the above, four other official or semi-official corporations which had been established since 1932 and to which references were made already are the Central Bank of Manchou (See above, Section 9), the Manchuria Telephone and Telegraph Company (See above, Section 28), the Manchuria Air Transport Company (See above, Section 26), and the Manchuria Cotton Company (See above, Section 29). With all of these enterprises having been established or now being established, the basic plans for the national control of industries had been practically completed. Manchuria now faces the second stage of its industrial expansion, namely, the development of its natural resources under the general policy of national control by the special and other corporations which had been thus established for that purpose.

### 37 General Industrial Expansion

The general industrial expansion between 1932-35 has been phenomenal and no less than 365 corporations, all capitalized above 100,000 yen, had been established. The following diagrams clearly indicate the general picture of this phenomenal industrial expansion.

#### New Corporations Founded During 1932-1935

##### A. CLASSIFICATION BY NATIONALITIES

	No.	Sources of Investment	No.	Authorized Capital in Yen	Paid-up Capital in Yen
Japanese Corporations...	262	A. Re-S.M.R.	19	374,765,000	237,665,000
		B. Others	243	369,403,000	154,234,500
Manchoukuo Corporations	103	A. Re-S.M.R.	18	285,600,000	252,187,500
		B. Others	85	123,900,000	79,455,000
Total .....	365	A. Re-S.M.R.	37	660,365,000	489,852,500
		B. Others	328	493,303,000	233,689,500
		Total	365	1,153,668,000	723,542,000

##### B. CLASSIFICATION BY TYPES

Types	No.	Authorized Capital in Yen	% of Total	Paid-up Capital in Yen	% of Total
Special Corporations...	21	438,100,000	37.97	331,037,500	45.75
Common Corporations..	344	715,568,000	62.03	392,504,500	54.25
Total .....	365	1,153,668,000	100.00	723,542,000	100.00

##### C. CLASSIFICATION BY INDUSTRIES

Industries	No.	Authorized Capital	% of Total	Paid-up Capital	% of Total
Banking, Finance .....	34	175,290,000	15	82,957,500	11
Exchange .....	8	6,600,000	1	3,050,000	1

Industries	No.	Authorized Capital in Yen	% of Total	Paid-up Capital in Yen	% of Total
Commercial .....	82	21,780,000	2	12,860,000	2
Mining .....	19	75,300,000	7	55,137,500	8
Steel, Machinery .....	27	260,400,000	23	166,575,000	23
Light Metal .....	4	24,000,000	2	6,700,000	1
Chemical .....	14	73,850,000	6	36,125,000	5
Paper, Pulp .....	6	51,550,000	4	14,050,000	2
Cement .....	10	36,500,000	3	16,375,000	2
Sugar, Flour .....	9	11,600,000	1	9,175,000	1
Brewery, Ice .....	20	23,240,000	2	13,989,000	2
Textile, Fibre .....	10	19,150,000	2	8,150,000	1
Bean Industry .....	1	1,500,000	—	1,500,000	—
Farming, Live Stock, Colonization, Salt .....	13	21,600,000	2	12,150,000	2
Transportation, Communication .....	41	125,130,000	11	77,820,000	11
Real Estate .....	24	23,090,000	2	17,497,500	2
Electrical .....	20	187,080,000	16	184,180,000	25
Miscellaneous .....	23	16,008,000	1	5,250,500	1
Total .....	365	1,153,668,000	100	723,542,000	100

Of these 365 new corporations established, five, representing a total authorized capital of 4,500,000 yen and a total paid-up capital of 2,250,000 yen, had been disbanded before the end of 1935.

### 38 Progress in Manufacturing Industries

Before the introduction of railways, there was hardly any modern manufacturing industry in Manchuria. In North Manchuria, the Russians first introduced the railway, followed by modern manufacturing methods such as flour-milling, brewery, sugar-refining, and lumber-dressing. Similarly it was the Japanese who opened up South Manchuria industrially, by providing an efficient system of transportation and giving stimulus to various industries through the activities of the Central Laboratory, Geological Institute, Agricultural Experimental Stations, Model Farms, Economic Research Committee, and other similar institutions, all founded and operated by the South Manchuria Railway Company. The Manchurians, stimulated by such foreign enterprises, have made a certain degree of progress in industry. Especially noteworthy has been the expansion of manufacturing industries after the establishment of Manchoukuo (See below, Appendix III, No. 8).

According to the statistical returns of the Kwantung Bureau, the industrial progress made during the past thirty years within the Japanese governed areas in Manchuria has been amazingly rapid. In 1909, there were only 152 factories, representing an investment of 16 million yen and an annual production of 6 million yen; in 1929, these figures increased to 789 factories, with a total



capital investment of over 300 million yen and an annual production of nearly 127 million yen. After the establishment of Manchoukuo, these figures made further jump and the close of 1932 saw 1,308 factories, representing an investment of 171 million yen and an annual production of over 173 million yen, while the close of 1934 found 1,244 factories with a total investment of 230 million yen and an annual production of 260 million yen. The decrease in the number of factories in 1933 is due to the change in the basis of computation (For details, see Appendix II, No. 8). The following tables give a complete picture of development between 1932 and 1934:

A. INCREASE OF FACTORIES BY YEARS, 1932-1934

(Unit: Yen)

Years	Factories	Investments	Production
1932 .....	1,308	171,191,901	173,673,014
1933 .....	1,001	168,529,373	196,362,262
1934 .....	1,244	230,080,466	260,827,310

B. FACTORIES BY INDUSTRIES, 1933-1934

(Unit: Yen)

Industries	1933		1934	
	Investments	Productions	Investments	Productions
Textile .....	13,877,409	23,312,501	19,419,335	26,391,299
Metallic .....	2,804,219	4,561,101	76,445,320	19,292,712
Machinery ...	19,908,429	22,550,802	15,534,770	28,612,806
Bean Oil ....	17,403,422	10,569,446	19,064,192	15,690,428
Chemical ....	42,916,177	74,005,505	39,088,829	81,979,227
Lumber .....	4,422,389	10,947,569	5,132,600	13,370,956
Printing .....	5,603,907	4,126,011	2,561,420	5,924,750
Food .....	32,764,795	28,862,754	24,124,180	34,969,761
Gas & Electric.	21,471,600	5,813,022	21,576,480	10,511,146
Miscellaneous..	7,357,016	11,613,551	7,133,340	24,084,295
Total .....	168,529,373	196,362,262	230,080,466	260,827,310

Figures for the whole of Manchuria are not available, but an estimate at the end of 1932 gave the existence of 4,079 factories with a total investment of 242 million yen and a total annual production of 324 million yen.

Dairen is still the largest manufacturing center in South Manchuria, while Harbin is the chief center in North Manchuria. The former is the center of bean-oil industry in particular and the latter of flour and liquor production. Mukden is rapidly becoming the native manufacturing center of Manchuria today.

### 39 Japan-Manchoukuo Economic Cooperation

The detailed economic construction program of Manchoukuo which was promulgated on March 1, 1933, specifically avowed the encouragement of cooperation between Japan and Manchoukuo as the fourth basic policy of the Manchoukuo Government (See above,

Section 35). It is in line with this policy of cooperation that Japan has been and still is assisting Manchoukuo to the fullest extent in unfolding the latter's economic construction program. The result became generally known as the Japan-Manchoukuo Economic Block.

The Japan-Manchoukuo Economic Block thus initiated assumed various forms. It was most evident in the industrial field, resulting in the organization of corporations relating to basic industries such as Manchuria Chemical Industry, Manchuria Petroleum, Showa Steel, Japan-Manchuria Aluminum, Japan-Manchuria Magnesium, Japan-Manchuria Flour, Manchuria Mining Development, Manchuria Coal Mining, Manchuria Gold Mining, Manchuria Electric Industry, Manchuria Salt Industry, Manchuria Forestry Industry, and many others, eventually embracing all of the most important basic industries (See above, Section 36). It was also widely shown in construction activities, especially in the construction of new railways, harbors, highways, and buildings (See above, Chapter III). In agriculture, the settlements of organized Japanese farmers in North Manchuria (See below, Section 46) and the increased cultivation of cotton in South Manchuria (See above, Section 29-4) were most noteworthy, while extensive research works are being pushed on. In the realm of foreign trade, the increase of Japan-Manchoukuo trade was phenomenal (See below, Section 41). In 1934 and 1935, for instance, the trade with Japan totaled, respectively, 627,277,000 yuan and 673,967,000 yuan or 60.2 per cent. and 65.8 per cent. of the total amounts. Of these amounts, the imports from Japan amounted to 408,601,000 yuan in 1934 and 456,675,000 yuan in 1935. In the field of transportation, the South Manchuria Railway Company began to manage in trust all of the Manchoukuo State Railways (See above, Section 22), while the Manchuria Air Transport Company and Manchuria Telephone and Telegraph Company unified the activities in their respective fields (See above, Section 26 and 28). In all other fields of Manchoukuo's economic development, the Japanese cooperation has been full and complete.

To further aid the development of Japan-Manchoukuo economic interdependence, the Japan-Manchoukuo Joint Economic Commission was organized as a result of an agreement which was signed at Hsinking on July 15, 1935. The Commission is composed of eight members, four from each country, and was instituted with a view to realizing harmony in the economic relations between the two countries. It is an advisory body, however, and "may be consulted by the Governments of Japan and Manchoukuo as to important matters regarding the supervision of the management of



special companies set up as Japan-Manchoukuo enterprise" and "may, when necessary, make recommendations to the Governments of Japan and Manchoukuo in regards to all matters pertaining to the national coordination of the economics of the two countries."

Japan's investments thus made in Manchuria during the past four years are estimated at about 788,000,000 yen. This estimate is based upon a study made by the Manchoukuo Government, the South Manchuria Railway Company, the Kwantung Bureau, and others. The details of the investments according to years are as follows:

JAPANESE INVESTMENTS IN MANCHURIA, 1932-1935  
(In 1,000 Yen)

1932	
Payments on S. M. R. shares .....	25,000
Net increase in S. M. R. debentures .....	69,475
New Investment in companies under control of S. M. R... ..	187
<b>Total .....</b>	<b>94,662</b>
1933	
<b>A. New Investments:</b>	
Manchoukuo national foundation loan .....	30,000
Investments in stocks .....	110,517
Investments in debentures .....	133,782
Shares and debentures of companies in Manchuria purchased .....	5,322
Establishment of branches of Japanese banks and companies .....	5,506
Establishment and enlargement of partnerships .....	636
Redemption and purchase of Japanese national bonds ....	191
Redemption and purchase of Japanese local government bonds, shares, and debentures .....	4,870
<b>Total .....</b>	<b>290,824</b>
<b>B. Efflux from Manchuria:</b>	
Payments on Japanese bonds .....	2
Payment on Japanese local government bonds, debentures, and shares .....	5,737
Redemption and purchase by Japanese companies in Manchuria of their shares and debentures .....	164,624
<b>Total of old investments in Manchuria recovered .....</b>	<b>170,363</b>
<b>New increase of investments .....</b>	<b>120,461</b>
1934	
<b>A. New Investments:</b>	
Manchoukuo government bonds .....	10,000
Shares .....	53,367
Debentures .....	188,718
Purchase of shares and debentures of companies in Manchuria .....	5,139
Establishment of branches of Japanese banks and companies .....	44,076
Establishment and enlargement of partnerships .....	383
Purchase of Japanese national bonds .....	127
Redemption and purchase of Japanese local government bonds, debentures, and shares .....	6,462
<b>Total .....</b>	<b>308,272</b>

<b>B. Efflux from Manchuria:</b>	
Japanese national bonds sold in Manchuria .....	14
Japanese local government bonds, debentures, and shares sold in Manchuria .....	6,182
Redemption and purchase by Japanese companies in Manchuria of their shares and debentures .....	3,178
<b>Total of old investments in Manchuria recovered .....</b>	<b>9,374</b>
<b>Net increase of investments .....</b>	<b>298,898</b>
1935	
Net payments on shares .....	49,990
Net payments on debentures .....	155,880
Payments on Manchoukuo bonds concerning the N. M. R. transfer .....	60,000
Loans granted on mortgage of real estate .....	8,490
<b>Total .....</b>	<b>274,360</b>
<b>GRAND TOTAL .....</b>	<b>788,381</b>



## VII FOREIGN TRADE

### 40 Growth of Manchurian Foreign Trade

The trade of Manchuria, which maintained an unbroken record of progress up to 1929, fell off in 1930 owing to the world-wide depression, coupled with the ever-falling price of silver which especially affected the Far Eastern trade. The trade figures for 1931 and 1932 showed a continued decrease owing to the disturbance of communications occasioned by the Manchurian Incident. The establishment of Manchoukuo brought about the new order of things and the trade began to rise again. With the gradual restoration of peace and order and the inauguration of the new Government's extensive reconstruction program, the trade of Manchoukuo has assumed a decidedly brighter prospect.

In reviewing the trade history of Manchuria, one can not overlook the fact that the Russo-Japanese War, which marked a new epoch in the development of Manchuria, politically and economically, introduced a most radical change in the commercial situation. Prior to the War, Yingkou (Newchuang) was the only port in Manchuria which was open to trade with the outside world. Yingkou and Tientsin were opened at the same time as early as 1861, but, while the trade at Tientsin grew rapidly, that of Yingkou was very slow in its growth. Besides, almost every inland city was closed to foreign traders. After the War, three important developments took place in the interest of Manchurian trade. The first and foremost was the opening in 1906 of the Port of Dairen as a free port. Since then the South Manchuria Railway Company has invested more than 75 million yen for the improvement of that port which is today a premier port in eastern Asia. The second important development was the opening of inland cities for trade. Through a series of agreements between 1905 and 1909, China agreed to open up leading cities in Manchuria which were closed before that time. Antung accordingly was opened in 1907 and nine other important cities, including Harbin, Mukden, Manchouli, and Aigun, were formally opened by 1911. The third factor was the perfection of the South Manchuria Railway in South Manchuria, providing that region with an efficient system of transportation for the first time, and offering, in cooperation with the Chinese Eastern Railway in the north, facilities for the carrying trade in Manchuria. It is a fact of prime historical importance that the Japanese took initiative

in all of these three directions to open up Manchuria for international trade.

The establishment of Manchoukuo again revolutionized the prospect for international trade in Manchuria. In this the four factors were most influential. The first was the emergence of an efficient and honest administration. The second was the initiation of a phenomenal era of constructions, especially in the cities and in the transportation sphere, necessitating the importation of an enormous amount of construction materials. The third was the gradual expansion of transportation facilities, especially the railway networks and bus lines, penetrating the regions hitherto untapped. The last but not the least was the successful reform in the financial field, especially the unification of the currency system and the establishment of reliable banking facilities.

The following is the complete picture in figures of the Manchurian trade during the past ten years, the years before 1932 being transposed from haikwan taels to yuan on the basis of 1 haikwan tael to 1.56 yuan for the sake of convenient comparisons:

MANCHURIAN TRADE, 1925-1935  
(Unit: M.¥)

	Imports	Exports	Total	Balance
1925 .....	371,524,812	477,968,690	849,493,502	+106,443,878
1926 .....	421,992,028	566,770,392	988,762,420	+144,778,364
1927 .....	409,245,433	626,002,224	1,035,247,657	+216,756,791
1928 .....	459,946,472	668,677,754	1,128,624,226	+208,731,282
1929 .....	502,948,051	659,682,350	1,162,630,401	+156,734,299
1930 .....	462,773,025	608,384,026	1,071,157,051	+145,611,001
1931 .....	341,599,692	739,271,685	1,080,871,377	+397,671,993
1932 .....	337,672,748	618,156,837	955,829,585	+280,484,089
1933 .....	515,832,425	448,477,605	964,310,030	- 67,354,820
1934 .....	593,562,248	448,426,567	1,041,988,815	-145,135,681
1935 .....	604,149,359	421,077,753	1,025,227,112	-183,071,606

### 41 Trade According to Countries

Japan's share of the foreign trade of Manchuria has been larger than that of any other nation for many years. Her shares for 1934 and 1935 were respectively 627,277,000 yuan and 673,967,000 yuan, or 60 per cent. of the total trade of Manchuria for 1934 and 65 per cent. for 1935.

When Newchuang was the sole open port in Manchuria, its staple trade was the export of Manchurian soya beans and bean-cakes to the southern provinces of China, where the bean-cakes were extensively used as fertilizer for the sugar plantations. Soya beans were consumed in southern mills for oil extraction, the product being used as a substitute for ground-nut oil. The imports at this

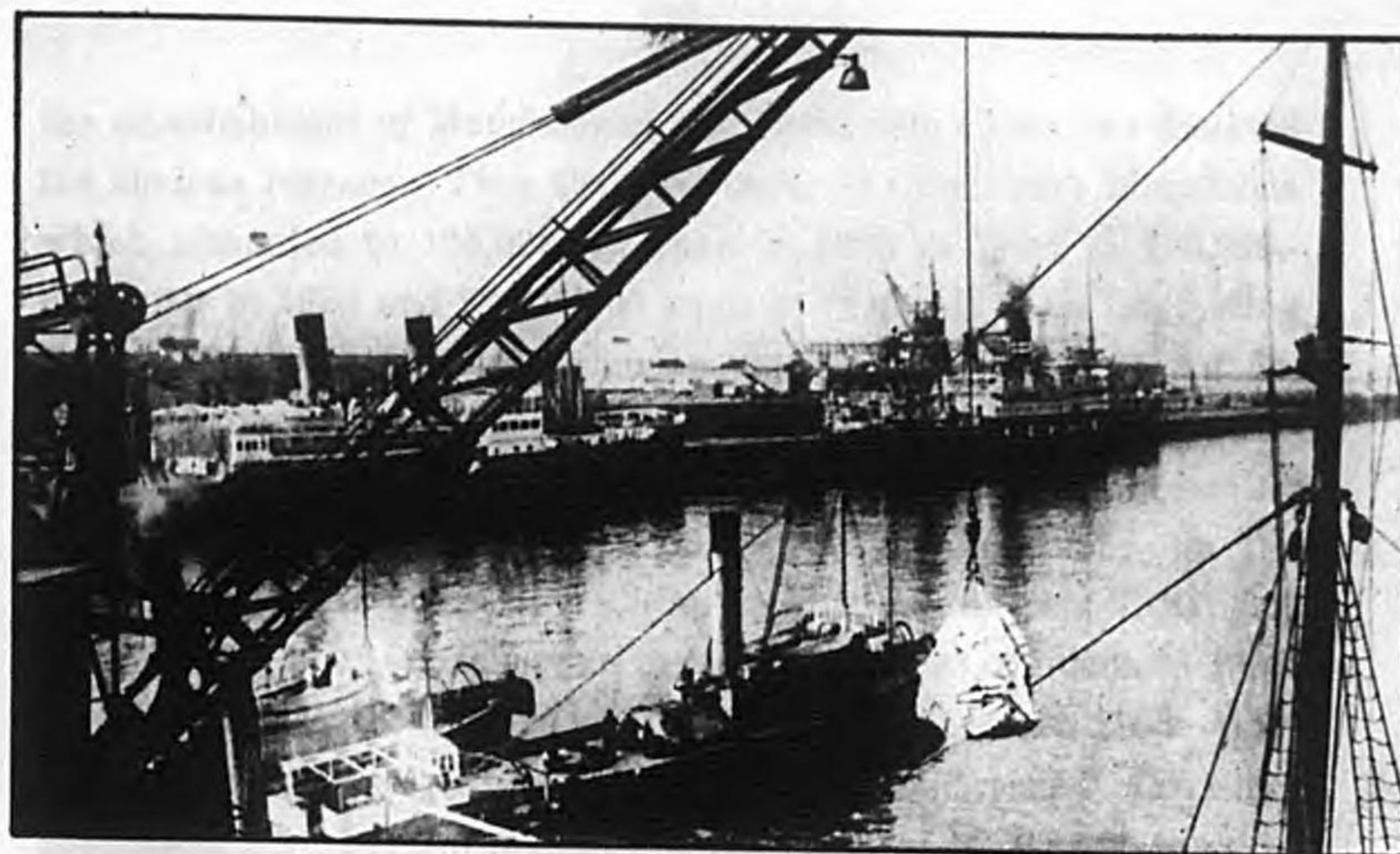


port were cotton goods of low grade, sheeting, and drills, chiefly from England. Later on, American cheap sheeting and drills entered into competition with the English products. The trade with Japan was insignificant until after the Sino-Japanese War of 1894-5. Japan gradually became a heavy purchaser of Manchurian soya beans and bean-cakes, and her purchases in 1898 equalled those of all the Chinese provinces. In 1903, the year before the Russo-Japanese War, Japanese purchases exceeded those of China Proper, and ever since Japan has been the largest buyer of Manchurian bean products. European countries also became steady buyers of Manchurian soya beans after the War, the Mitsui firm of Japan having made a trial shipment to Liverpool in 1908.

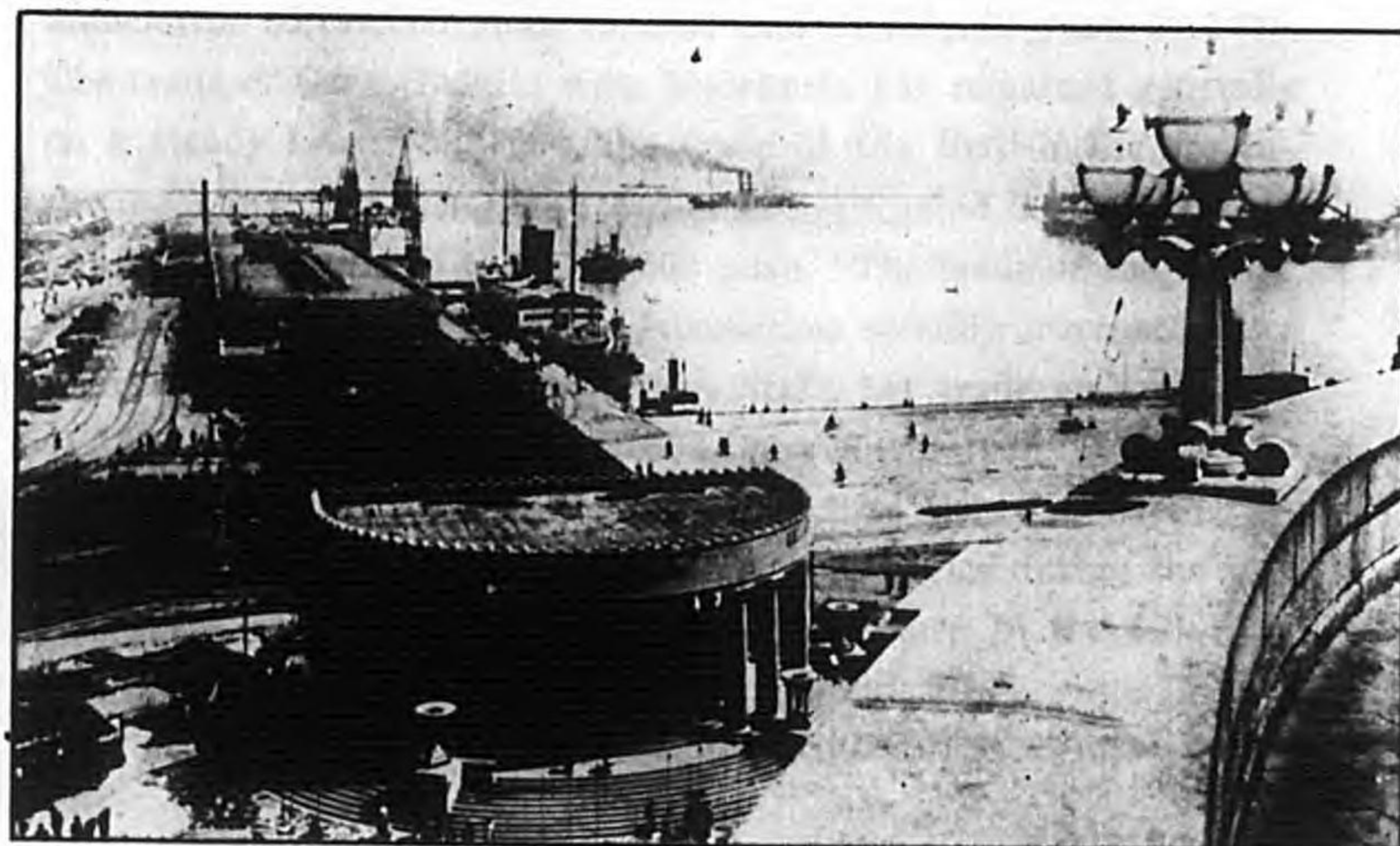
In spite of the rapid increase of exports of Manchurian products to Japan before the Russo-Japanese War, imports from Japan increased very slowly. In cotton goods, which have always constituted the largest item of Manchurian imports, Japan's share was almost negligible, while the British and American goods enjoyed a decided pre-eminence. In those days, the infant Japanese cotton industry was not in a position to compete with the British, American, or Indian mills. Japan's strenuous but constant efforts to develop this industry, especially after the Russo-Japanese War, were gradually crowned with success. Furthermore, Japanese cotton mills were able to produce a much cheaper staple by mixing raw materials of American higher grade and those of Indian and Chinese lower grades. Again, Japanese products could be landed in the Manchurian market at much less freight expenses. These natural advantages of the Japanese cotton industry, particularly in the Chinese market, could not be offset by the American, English, or even Indian mills.

Before the outbreak of the European War, the Japanese cotton industry had so successfully competed with its rivals that almost all cotton goods, except the finest kind, were supplied by Japan. The Great War, crippling the cotton mills in Western countries and also ocean transportation, gave Japan indisputable supremacy in this Far Eastern market. The Japanese cotton industry today is so highly organized that its products can successfully compete in almost any part of the world. But it should be remembered that the more Japanese cotton goods are exported to Manchuria or elsewhere, the greater will be the purchase of American and Indian raw cottons by Japan.

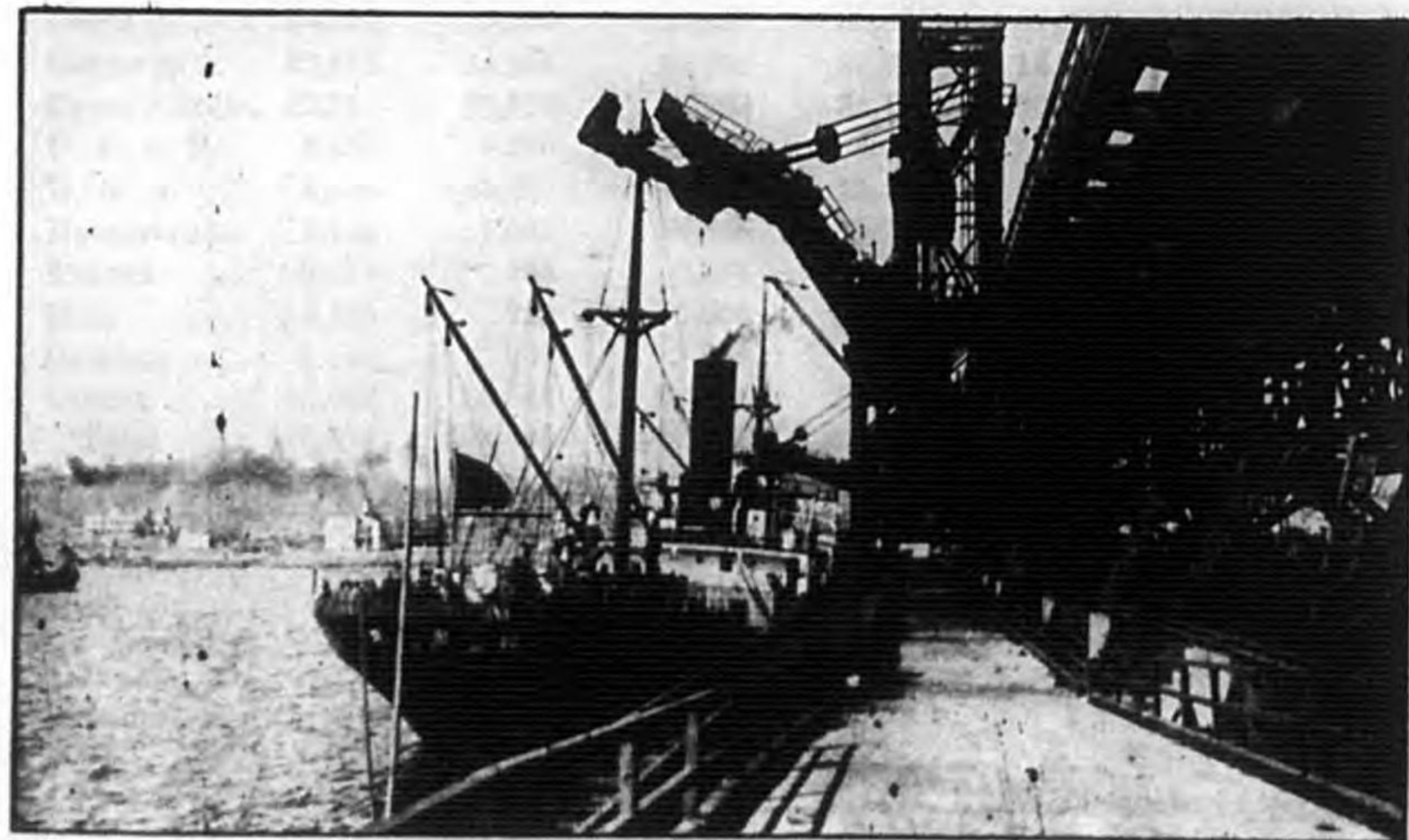
Next to Japan, China for years has occupied an important place in the Manchurian trade. Since the Manchurian Incident and



The Beautiful and Busy Port of Dairen



The Entrance to the Waiting Room, Dairen Pier



The New Coal Pier, Kanseishi



the establishment of Manchoukuo, the trade with China has declined for obvious reasons. Thus the total trade of China with Manchuria which amounted to 135,022,000 yuan in 1933 declined to 123,299,000 yuan in 1934 and 97,346,000 yuan in 1935. It is an interesting fact, however, that the Manchurian exports to China have not declined in proportion. The export trade which was valued at 55,210,000 yuan in 1933 has picked up slightly in 1934 and 1935, increasing to 65,694,000 yuan in 1934 and 65,353,000 yuan in 1935. On the other hand, the imports from China declined more, from 79,812,000 yuan in 1933 to 57,595,000 yuan in 1934 and 31,993,000 yuan in 1935.

If we turn to Western countries, the Manchurian trade with Germany has developed remarkably in the recent years. Germany purchased Manchurian products to the value of 53,310,000 yuan in 1934 and 32,799,000 yuan in 1935, making the German trade with Manchuria 65,796,000 yuan in 1934 and 47,541,000 yuan in 1935. The trade of Great Britain with Manchuria has remained generally on a steady level. In 1934, the trade of the British Empire including India, Hongkong, and Australia aggregated 60,568,000 yuan and in 1935 increased to 70,512,000 yuan. The trade of the United States including the Philippine Islands has steadily increased since Manchoukuo became an independent State, her trade amounting to 41,193,000 yuan in 1934 and 40,532,000 yuan in 1935. Both Great Britain and the United States sold more than they purchased.

The trade of Manchuria according to countries during the past two years and the percentage of each are shown in the following two tables:

A. MANCHURIAN TRADE ACCORDING TO COUNTRIES, 1934-1935  
(Unit: 1,000 Yuan)

Countries	1934			1935		
	Export	Import	Total	Export	Import	Total
Japan .....	218,675	408,601	627,277	217,292	456,675	673,967
China .....	65,694	57,595	123,299	65,353	31,993	97,346
Germany ....	53,310	14,486	65,568	32,799	14,742	47,541
Great Britain.	23,712	37,856	61,568	34,450	36,062	70,512
U. S. S. R...	8,423	4,876	13,299	4,662	1,168	5,830
U. S. A.....	5,966	35,227	41,193	15,596	24,936	40,532
Netherlands.	9,782	7,083	16,865	10,776	5,877	16,652
France .....	2,921	565	3,486	3,570	463	4,032
Italy .....	4,303	702	5,005	3,864	1,357	5,220
Belgium ....	1,190	704	1,894	1,148	1,511	2,659
Others .....	54,448	25,868	83,316	31,568	29,366	60,934
Total .....	448,424	593,563	1,041,988	421,077	604,149	1,025,227

B. PERCENTAGE OF MANCHURIAN TRADE ACCORDING TO COUNTRIES, 1934-1935

Countries	1934			1935		
	Export	Import	Total	Export	Import	Total
Japan .....	48.8	69.0	60.2	51.6	75.6	65.8
China .....	14.6	9.7	11.8	15.5	5.3	9.5



Countries	1934			1935		
	Export	Import	Total	Export	Import	Total
Germany .....	11.9	2.1	6.3	7.8	2.4	4.6
Great Britain .	5.3	6.4	5.9	8.1	5.8	6.9
U. S. S. R. ...	1.9	0.8	1.3	1.1	0.1	0.5
U. S. A. ....	1.3	5.9	4.0	3.7	4.1	4.0
Netherlands ..	2.1	1.0	1.5	2.6	0.9	1.6
France .....	0.7	0.1	0.3	0.8	0.1	0.4
Italy .....	1.0	0.1	0.5	0.9	0.3	0.6
Belgium .....	0.3	0.1	0.2	0.2	0.3	0.3
Others .....	12.1	4.8	8.0	7.7	5.1	12.1
Total .....	100.0	100.0	100.0	100.0	100.0	100.0

#### 42 Trade According to Ports

In the commercial history of Manchuria, the growth of Dairen as a world port and the creation of a great export trade in soya beans are the outstanding features.

In 1907, when Dairen in the Japanese Leased Territory was re-opened to trade, its position in customs returns was next to Yingkou. It soon passed Yingkou and has occupied the supreme position since 1910, and its share has been more than 55-60 per cent. of the total Manchurian trade for many years. The returns for 1935 aggregated 779,746,000 yuan, Dairen's share being 76.1 per cent. Antung, being the junction of the Antung-Mukden line and the Chosen railways, has increased in importance year after year. Antung's trade has surpassed that of Yingkou in every year since 1918 except 1930. While Yingkou's share in 1935 amounted to 66,780,000 yuan, Antung's share amounted to 111,583,000 yuan, respectively 6.5 per cent. and 10.9 per cent. of the entire Manchurian trade.

The other trade gateways in South Manchuria are Shanhaikuan and Chengte where the Manchoukuo Government maintains Custom Houses. The trade passing through those two portals of entry, however, is small. Shanhaikuan's share of trade in 1935 was 13,604,000 yuan or 1.3 per cent. of the entire Manchurian trade and that of Chengte was 2,963,000 yuan or 0.3 per cent. The chief reason for this state of affairs seems to be the general decline of trade with China since the Manchurian Incident.

In North Manchuria, commerce grew steadily and the returns for Harbin, Suifenho, Aigun, and Manchouli in 1927 aggregated 96,880,000 haikwan taels or 14 per cent. of the total Manchurian trade of that year. Their trade was greatly affected by the Sino-Soviet dispute over the Chinese Eastern Railway in 1929 and the Manchurian Incident in 1931, and has fallen off ever since, amounting to only 7,911,000 yuan or 0.8 of the entire Manchurian trade in 1935. On the other hand, a phenomenal growth has been wit-

nessed at Tumen. In 1933, the trade through Tumen aggregated 6,196,000 yuan which has jumped to 34,505,000 yuan or 4.3 per cent. of the entire Manchurian trade in 1934 and 42,639,000 yuan or 4.2 per cent. in 1935. This remarkable growth has been due chiefly to the transportation development in North Manchuria and North Chosen.

The following table shows the comparative trade figures according to ports and portals of entry:

MANCHURIAN TRADE ACCORDING TO PORTS, 1934-1935  
(In 1,000 Yuan)

Ports of Entry	1934				1935			
	Export	Import	Total	%	Export	Import	Total	%
Dairen .....	335,182	449,246	784,428	75.3	315,371	464,375	779,746	76.1
Antung .....	44,735	77,372	122,372	11.7	35,898	75,685	111,583	10.8
Yingkou .....	36,316	29,049	65,365	6.3	41,606	25,174	66,780	6.5
Shanhaikuan .....	8,620	8,105	16,725	1.3	8,357	5,247	13,604	1.3
Harbin .....	8,903	4,573	13,476	0.6	3,005	4,906	7,911	0.8
Tumen .....	13,356	21,149	34,505	4.3	15,143	27,496	42,639	4.2
Chengte .....	1,314	4,068	5,382	0.5	1,698	1,266	2,963	0.3

#### 43 Trade According to Principal Commodities

As already stated, the most significant feature of Manchurian trade since 1933 has been the excess of imports over exports contrary to previous years. The marked increase of imports was due to the activity of the new Government in construction work and the increase of purchasing power of the people in general.

The exports of Manchuria are chiefly agricultural products, as is the case with Chosen and Shantung Province, China, although the export of mineral products, especially coal and iron, shows a tendency to increase. Soya beans and their products, bean-cakes and bean-oil, today command the world's markets. For many years these exports have constituted more than half of the total exports of Manchuria. The total exports in 1934 and 1935 amounted in value to 448,426,567 yuan and 421,077,753 yuan, respectively. Of these amounts, 238,113,308 yuan or over 53 per cent. of the total exports in 1934 and 214,611,279 yuan or a slightly over 50 per cent. in 1935 represented the value of soya beans, bean-cakes, and bean-oil. Japan became the heaviest purchaser of these products after the Sino-Japanese War. Since the Mitsui firm made the first trial shipment to England in 1908, the consumption of Manchurian soya beans and bean-oil has increased in European countries and to some extent in America. Great Britain, the Netherlands, Italy, Germany, France, Denmark, and other purchasers consume in the aggregate as much as Japan. Of the agricultural products, the export next in import-



ance to soya beans is millet. This trade, which was chiefly with Chosen, was valued at 19,940,104 yuan in 1934 and 9,049,721 yuan in 1935. The export of kaoliang, about half of it going to the China Proper, amounted to 7,310,645 yuan in 1934 and 3,993,135 yuan in 1935. In the field of mineral products, the export value of coal was 41,955,600 yuan in 1934 and 40,473,980 yuan in 1935, about half of which in each year being shipped to the Japan Proper, Chosen, and Taiwan, and the rest to China, the Philippines, and other countries. The exports of pig irons and other iron products were valued at 10,380,305 yuan in 1934 and 10,329,457 yuan in 1935 of which Japan has been the chief consumer.

Among the commodities imported during 1934 and 1935, by far the largest group has been the construction material. The imports of iron and steel, machinery and tools, vehicles and vessels, electrical appliances and materials, timber, and cement totaled 154,266,666 yuan in 1934 and 159,131,707 yuan in 1935, respectively 25 per cent. and 26 per cent. of the total imports. Next in importance came the cotton goods. Including cotton yarns, the total imports of cotton goods aggregated 80,585,992 yuan in 1934 and 68,277,466 yuan in 1935, respectively 13 per cent. and 11 per cent. of the total imports. The import of wheat flour also occupied a significant place, reaching 57,058,521 yuan in 1934 and 53,988,584 yuan in 1935. The imports of artificial silk and silk fabrics, woollen fabrics, sugar, paper, and gunny bags continued to occupy important places on the import column. On the whole, the import figures continue to indicate the tremendous amount of construction activities which are progressing in Manchuria and also the increase of purchasing power of the Manchurians brought about by the thorough reform of the former chaotic currency system and good administration steadily carried out under the new regime.

The following table shows the principal imports and exports comparatively for four years between 1932 and 1935.

A. PRINCIPAL COMMODITIES OF EXPORTS, 1932-1935  
(In Yuan)

Commodities	1932	1933	1934	1935
Soya beans .....	225,114,465	169,095,488	160,348,746	130,053,055
Other beans .....	11,512,816	9,180,185	9,993,577	13,055,930
Bean-cake .....	103,445,766	57,614,313	51,508,798	51,370,086
Bean oil .....	38,238,031	18,472,609	16,262,187	20,132,206
Millet .....	23,556,419	14,745,699	19,940,104	9,049,721
Kaoliang .....	28,401,908	7,215,889	7,310,645	3,993,135
Groundnuts .....	8,435,498	8,826,350	14,129,008	15,140,649
Seeds .....	6,525,482	10,768,154	14,427,975	16,303,671
Coal .....	50,863,497	47,201,710	41,955,600	40,473,980
Wild Silk .....	10,017,320	9,565,278	7,408,875	7,278,999

Commodities	1932	1933	1934	1935
Salt .....	7,554,616	3,582,315	5,438,114	4,663,349
Pig Iron .....	15,069,524	10,446,543	10,380,305	10,329,457
Sulphate of Ammonia	1,569,638	1,756,591	1,717,696	6,051,084

B. PRINCIPAL COMMODITIES OF IMPORTS, 1932-1935  
(In Yuan)

Commodities	1932	1933	1934	1935
Cotton Goods ....	42,014,978	69,304,755	68,052,576	60,339,907
Cotton Yarn ....	12,641,544	20,927,257	12,533,416	7,937,559
Raw Cotton .....	16,717,268	11,046,028	12,283,717	9,406,593
Iron & Steel ....	21,862,948	39,996,734	58,227,008	51,539,998
Vehicles .....	5,385,782	22,698,784	30,945,763	39,844,471
Wheat Flour ...	32,259,468	58,678,946	57,058,521	53,988,584
Gunny Bags .....	26,464,682	16,991,772	16,133,998	14,640,550
Sugar .....	15,654,716	16,955,838	11,914,422	13,638,399
Machinery .....	6,006,204	9,543,611	28,056,386	34,612,607
Paper .....	7,651,094	10,012,677	12,139,498	12,959,291

#### 44 Manchoukuo-German Trade Agreement

The steady development of Manchoukuo, coupled with the restoration of peace and order and the successful initiation of financial rehabilitation, has stimulated the rising tide of Manchoukuo trade with various countries of the world, especially during the period under review. The growth of trade figures is significant as the Powers continue to uphold, outwardly at least, the non-recognition policy toward Manchoukuo and yet desire to further their trade relations with her.

It was with this background that Manchoukuo welcomed trade missions and representatives from several countries between 1934 and 1936. Notable among them were the British Industrial Mission, representing the British Federation of Industries and headed by Lord Barnby, which visited Manchoukuo in October, 1934; the German Economic Mission, which was headed by Dr. Otto C. Kiep and which visited Manchoukuo in November, 1935; and the Belgian Trade Mission, which was headed by M. Van Loo and which made a prolonged visit during the spring of 1936. It was significant that the American Economic Mission to the Far East visited Japan and China in 1935 but carefully avoided Manchoukuo for unannounced but obvious reasons.

The British Industrial Mission issued a voluminous report upon its return to England, the general tone of which was the refutation of the Lytton Commission pronouncements, but no official trade agreement followed. The Belgian Mission on the whole combed the country with individual contacts and is reported to have concluded numerous individual trade contracts running up to several million yuan. On the other hand, the German Economic Mission started



negotiations with the Manchoukuo Government through the good offices of the Japanese Government. After prolonged negotiations a Manchoukuo-German Trade Agreement was successfully concluded and signed at Tokyo on April 30, 1936, by Mr. Hsieh Chieh-shih, the Manchoukuo Ambassador to Tokyo, and Dr. Otto C. Kiep, the German Minister Plenipotentiary and head of the Mission, in the presence of Mr. Shikao Matsushima, the Director of the Commercial Affairs Bureau of the Japanese Foreign Office. With the exception of Japan, this is the second official major agreements which Manchoukuo had signed, the first being with the Soviet Union which transferred its shares in the North Manchuria Railway to Manchoukuo, both of which are tantamount to the recognition of Manchoukuo.

The more important provisions of the Manchoukuo-German Trade Agreement thus concluded are as follows: that Germany shall import Manchoukuo products up to the amount of 100,000,000 yuan during the period of one year beginning on June 1, 1936; that the three-fourths of the payment shall be made in foreign exchange and the one-fourth in Reichsmarks; that the amount of purchase may be reduced to not less than 65,000,000 yuan in case, owing to unforeseen circumstances, it becomes impossible for the German Foreign Exchange Administration to make available foreign exchange to the amount of 75,000,000 yuan; that Manchoukuo shall import German products to the amount equivalent to the payment in Reichsmarks during the same period; that the Agreement shall be effective for one year from June 1, 1936, and shall be renewed annually, the next one being subject to revision before April 1, 1937. (For details, see the full text in Appendix III, No. 12.)

Under this Agreement, the Manchoukuo Government appointed Mr. Hiyoshi Kato, the Director of the Commercial Affairs Bureau of the Department of Foreign Affairs, as its resident commissioner in Berlin and the German Government named Mr. E. Knoll, former Commercial Secretary of the German Embassy in Tokyo, as its trade commissioner at Hsinking.

## VIII IMMIGRATION AND SETTLEMENTS

### 45 Control of Chinese Immigration Into Manchuria

The Chinese mass immigration into Manchuria passed the million mark during 1927, 1928, and 1929. In 1927 was reached the peak, no less than 1,159,000 entering and only 316,000 leaving, thus chalking up a net gain of 843,000. Since 1930, however, it gradually declined and reached, largely as a result of the Manchurian Incident and the consequent disturbances, a new low mark of 414,000 in 1932. During 1932, moreover, 498,000 left Manchuria, thus spelling a net loss of some 84,000. With the establishment of Manchoukuo and the gradual restoration of peace and order, Manchuria once more began to attract Chinese immigrants and the wave of mass immigration started to rise again. The following figures, estimated by the Economic Research Committee of the South Manchuria Railway Company, show the movement of Chinese immigrants for the past ten years (For fuller figures, see Appendix II, No. 14):

CHINESE IMMIGRATION INTO MANCHURIA, 1926-1935

Years	Arrivals	Departures	Net Gain
1926 .....	607,352	323,694	283,658
1927 .....	1,159,747	316,549	843,198
1928 .....	1,074,467	381,087	693,380
1929 .....	1,046,291	601,392	444,899
1930 .....	748,213	488,504	259,709
1931 .....	467,402	461,339	6,063
1932 .....	414,034	498,783	-84,749
1933 .....	631,962	483,783	147,179
1934 .....	690,925	439,628	251,297
1935 .....	519,552	495,009	24,543

The establishment of Manchoukuo had changed the whole outlook for the Chinese mass immigration into Manchuria. The formative period of the new State, abounding with complex problems of national adjustment, necessitated an effective control of labor and immigration. This was obvious. Politically speaking, pending the promulgation of the naturalization law, it became necessary to draw a clear distinction between the citizens of Manchoukuo and the citizens of China in order to solidify the foundation of the new State. Moreover, plain-clothed Chinese soldiers, the trained anti-Manchoukuo propagandists, and even communists were discovered flowing into Manchuria in great numbers under the guise of Shantung



coolies. In the economic field, the prosperity of the new State largely depended upon the prosperity of its citizens. The unchecked Chinese immigration also helped to increase the outflow of silver from the country as the Chinese laborers annually sent home or took out of Manchuria some 30,000,000 yuan. The control of immigration thus became an urgent need from the point of view of protecting the Manchurian laborers against undue competition and of enriching their buying power by keeping their earned wealth within the Manchoukuo border instead of permitting its outflow into China. Socially considered, an unchecked influx of Chinese coolies tended both to complicate and endanger the public peace and order. Especially noteworthy was the tendency of the Chinese immigrants underbidding and eventually driving the less efficient members of Manchurian labor population out of work and even forcing them to join bandit groups, not to say anything about Chinese immigrants themselves becoming sources for the fast-vanishing army of outlaws.

The first step in the direction of controlling Chinese mass immigration was taken on February 12, 1932, even before the final establishment of Manchoukuo, when the North-Eastern Transportation Committee abolished the system of reduced fares as applied to the Chinese immigrants, a practice which was followed for years as an inducement for Chinese immigration. The South Manchuria Railway Company followed the suit after March 10, 1932. On the following April 1, the Department of Civil Affairs instructed the Fengtien Provincial Governor to proclaim the policy of restricting the entrance into Manchuria of lower-class foreign laborers who do not possess proper passports or certificates or who come without necessary funds. This order of course had the special purpose of checking the entrance of plain-clothed soldiers from China. Almost a year later, on February 17, 1933, the Government of Manchoukuo issued the "Regulations Governing the Entrance of Foreigners" and prohibited the entrance into Manchuria of persons of extreme poverty and those "who are suspected to disturb public peace." However, due largely to the laxity of enforcement during the formative stage of the new State, those orders were not strictly enforced.

In 1934, two developments followed to insure a more strict control. The first was the creation at Hsinking on January 9 of the Labor Control Commission composed of the representatives of the Departments of Civil Affairs and Defense of the Manchoukuo Government, the Kwantung Army, the Kwantung Bureau, the Government General of Chosen, the Japanese Embassy, and the South Manchuria Railway Company. The Commission began to study the ques-

tion of labor demand and supply in Manchuria from the point of view of national policy, and reached a general conclusion that definite control and limitation of immigrants should be enforced, but that the limitation should be worked out gradually in proportion to demand and supply and that improvement should be made in the labor conditions, labor protection, and labor hygiene. At its meeting on March 12, the Commission proposed to enforce certain measures of practical control, such as the prohibition of entrance into Manchuria of those who do not have definite hope of employment, the limitation of Chinese immigrant laborers to certain fields and in particular 110,000 in the construction activities, the enforcement of limitation at such places as Dairen, Yingkou, Shanhaikuan, and Antung, and the special limitation of Shantung immigrants to help establish further peace and order.

The second development was the establishment on April 1 of the Tatung Kungssu with its headquarters at Tientsin for the purpose of checking the Chinese emigrants destined to Manchuria at the ports of departure. The examination stations were established at Shanhaikuan on April 4, at Tsingtao on April 8, at Chefoo on April 12, at Lungkou and Weihaiwei on May 12, while its branch was opened at Dairen on April 28. Its main activity was to examine prospective emigrants and to issue necessary certificates to those who were deemed safe to enter Manchoukuo. It also undertook to carry on researches on labor conditions and to aid various activities relating to the question of labor supply as well as protection and hygiene. The Tatung Kungssu at first faced untold difficulties in its relations with both the Japanese and Chinese authorities at several ports, and its activities were greatly hampered during 1934. However the misunderstanding of the Japanese authorities was smoothed out, while the Chinese authorities began to see the wisdom of enforcing control before departure when they discovered that the Chinese emigrants without certificates can not land at the ports of their arrival.

In 1935, the whole question assumed a new status. The Government of Manchoukuo began to compile labor control regulations and issued on February 12 the "Policy of Controlling Chinese Immigrants" as an *ad interim* measure. In line with this control policy, the Labor Control Commission decided to limit the number of immigrants to 440,000 (300,000 in farming, 110,000 in construction works, 18,000 in mining, and 12,000 as coolies), to distribute this number into three periods (60 per cent. during the first four months, and 30 per cent. and 10 per cent. respectively to the two following periods) and to prohibit the entrance of immigrants through Shan-



haikuan. To cooperate with the Manchoukuo Government in this difficult task, the Kwantung Bureau issued the "Regulations Concerning Foreign Laborers" on March 11 and enforced them within the Kwantung Leased Territory and the S. M. R. Zone from March 15. The Manchoukuo Government issued its "Regulations Governing Foreign Laborers" on March 21 (See Appendix III, No. 5) and enforced them on the same date.

With the completion of these Government regulations, the Tatung Kungssu was also reorganized. It now became a corporation incorporated under the Manchoukuo laws with its headquarters at Hsinking. Its offices were now established at Tientsin, Dairen, Tsingtao, Weihaiwei, Chefoo, Lungkou, Tangku, and Shanhaikuan, and its branches were established at Kupeikou, Hsifengkou, Lengkou, Peiping, Yingkou, Antung, and Harbin. At Dairen, Mukden, Hsinking, and Yingkou it opened reception quarters.

With these plannings, regulations, and organizations the effective control of Chinese mass migration into Manchuria was finally established during 1935. The result was a decided decrease in the number of coolies entering Manchuria in 1935 as already noted. The destinations of these Chinese coolies after their arrival in Manchuria, according to the Tatung Kungssu, may be seen from the following table for the four leading portals of entry for the year 1935:

DESTINATION OF CHINESE COOLIE IMMIGRANTS, 1935

	Dairen	Antung	Yingkou	Shanhaikuan
Kwantung Leased Territory	143,996	16	1,385	175
Fengtien Province	11,040	58	75,652	61,017
Pinkiang Province	8,758	7	11,888	15,146
Kirin Province	4,936	14	15,226	17,960
Antung Province	1,257	20,535	553	645
Lungkiang Province	700	1	2,154	4,784
Sankiang Province	327	—	1,023	921
Chinchow Province	243	1	731	14,625
Heiho Province	171	—	453	426
Chientat Province	246	2	87	615
Jehol Province	89	—	96	1,363
Hsingan Provinces	55	—	551	5,023

The above figures in term of the places whence they came, according to the Tatung Kungssu, are given in the following table:

ORIGINS OF CHINESE COOLIE IMMIGRATION INTO MANCHURIA, 1935

Origin	Dairen	Antung	Yingkou	Shanhaikuan	Percentage
Shantung	146,362	18,726	21,223	21,643	57.5
Shanhsi	43	1	793	2,521	0.5
Hopei	23,276	1,779	23,431	57,071	40.3
Honan	1,232	8	364	2,069	1.6
Chiungta	49	10	652	182	0.3



Japanese Immigrant Farmers in North Manchuria



Chosenese Farmers in the Yingkou Farm-Settlement



Threshing Season in a Manchurian Farm



Origin	Dairen	Antung	Yingkou	Shanghai- kuan	Percentage
Chechiang .....	189	3	561	45	0.2
Hupei .....	73	5	137	45	0.1
Fuchien .....	17	—	11	10	—
Anhui .....	32	1	33	30	—
Others .....	1	12	12	101	—

#### 46 Chosenese Settlements in Manchuria

The Chosenese immigration into Manchuria became more noticeable after the Japanese annexation of Chosen. In 1910, the year of the annexation, the Chosenese residents in Manchuria were estimated at some 53,000. This number has grown steadily to 459,000 by 1920 and 607,000 by 1930. At the end of 1935, there were 662,000 Chosenese in all Manchuria. In addition, 4,389 Chosenese were reported residing within the Kwantung Leased Territory.

Before the emergence of Manchoukuo, the lot of the Chosenese immigrants in Manchuria was not at all an envious one. They were chiefly engaged in the rice cultivation in which profession they far outclassed the Chinese laborers, but were generally oppressed and mistreated by the Chinese authorities. This was especially true in the matter of leasing lands. The Wanpaoshan affair in 1931 was an outcome of such difficulties. Moreover, they became the constant victims of marauding hordes of bandits. After the establishment of Manchoukuo, however, all of those handicaps, notably the difficulties relating to the leasing and purchasing of lands, were wiped away, and, with the expanding radius of peace and order, the Chosenese immigrants began to enjoy a new deal in their activities.

The most noteworthy recent developments which concern the general welfare of the Chosenese immigrants in Manchuria were the concentration-village movement and the Chosenese farm-settlements. Both movements have shown remarkably satisfactory results and the future development is now being watched with keen interest.

##### (1) Chosenese Concentration-Village Movement

The concentration-village movement was started in 1933 through the cooperation of the Government General of Chosen and the Chientao Japanese Consulate General as an experiment in the Chientao district. The success of the experiment not only helped to spread the movement among Chosenese residents elsewhere but also spurred the Manchoukuo Government to create similar movement among the Manchurian farmers, chiefly for the purpose of forming the twilight zones against bandit groups.



The concentration-village movement among Chosenese immigrant farmers was started for the purpose of assuring a settled farm life among them and of creating organized barriers against the loaming bandits. Those who settled the designated place were provided with houses and lands and other necessary implements and facilities for farming. On the other hand, such concentration of settlements, in direct contrast with small scattered settlements, helped the authorities in their delicate task of preserving peace and order.

For the year 1934, the Government General of Chosen planned to create nine concentration-villages, capable of embracing altogether 950 Chosenese families. The places selected were in the Chientao district, along the Hsinking-Tumen Railway and the Tumen-Mutan-chiang Railway lines. The total expense involved was estimated at 96,000 yen of which 60,000 yen were appropriated by the Government General of Chosen and the remainder by the East Asia Development Company. At the end of the year, 840 families, involving 4,413 persons, were actually settled in the designated nine villages. Four villages had the full capacity quotas of 150 and 100 families.

The second year project for 1935 included the creation of 15 villages with a capacity to accommodate 1,600 families at an estimated expense of 178,000 yen. These villages were to be located in the same districts as the first project. At the end of the year, the designated 15 villages saw the settlement of 1,463 families embracing 7,679 persons. Eight of the fifteen projected villages had the capacity quota of settlers.

Encouraged by these two initial projects, the plan for the year 1936 included the fulfilment of the previous quotas and the creation of five new villages, capable of accommodating 500 families at an estimated expense of 95,000 yen.

It may be added here that the similar movement sponsored and successfully carried out by the Manchoukuo Government involved 25 villages accommodating 2,504 families at an estimated expense of 195,780 yuan for the year 1934 and 28 villages accommodating 3,650 families at an estimated expense of 198,610, yuan for 1935. An addition of 24 villages in Chientao Province is being planned for 1936, while an equally vigorous plan is under execution in Antung Province. These villages were primarily established in the interest of Manchurian farmers but necessarily a large number of Chosenese immigrant farmers was also involved. For instance, at the end of 1934, of the 573 families which were settled in 10 villages within three Prefectures of Chientao Province, 413 families were Chosenese

immigrant farmers and only 160 families were Manchurian farmers. Figures for other districts are not known.

## (2) *Chosenese Farm-Settlements*

The second noteworthy development was the movement for the creation of new farm-settlements chiefly for those who constitute the floating Chosenese population in Manchuria. The plan was sponsored by the Government General of Chosen and supported by the Department of Colonial Affairs at Tokyo, the Kwantung Army, the Japanese Embassy, and the South Manchuria Railway Company. The project involved the purchase of suitable lands, the inducement of unemployed Chosenese farmers to settle, the granting of land under a long-term, low-interest loan, provision of facilities such as houses, equipments, and necessary funds, and the offering of needed protection. The Government General of Chosen was to provide one-third of the required fund and entrusted the entire management under its general supervision to the East Asia Land Development Company, a subsidiary of the South Manchuria Railway Company, which provided the balance of the necessary fund.

The first of such Chosenese Farm-Settlements was created in 1932 at Lanshihshan near Tiehling along the S. M. R. Main Line. The Lanshihshan project involved 720 cho (714 hectares) of land and proposed to settle 250 families with 1,250 members at an estimated expense of 215,000 yen. Each family is allowed 2.4 cho (2.3 hectares) of paddy field. In 1932, it began with 190 families, which increased to 233 in 1933, and 242 in 1934.

Two additional Farm-Settlements were created in 1933. The Hotung Farm-Settlement embraced some 2,470 cho (2,448 hectares) of land near Chuho in Pinkiang Province along the Harbin-Suifenho Line and proposed to settle 1,000 families with 5,000 members at an estimated expense of 883,000 yen and short-term loans amounting to 100,000 yen. It settled 579 families in 1933 and 292 families in 1934, making a total of 851 together with those who were there before 1933 and involving a population of 3,477. Here, the each family is allowed 2 cho (1.9 hectares) of paddy field.

The other Farm-Settlement was located near Yingkou. The Yingkou Farm-Settlement commanded 2,580 cho (2,557 hectares) of land to settle 1,000 families with 5,000 members and the entire project involved a total estimated expense of 898,800 yen and a short-term loan fund of 103,700 yen. It was started in May, 1933, and 612 families by the end of 1934 and 1,035 families by the end of 1935 were successfully settled there. It is the most successful farm-



settlement to date.

One more Farm-Settlement was created at Suihua in Pinking Province with 1,100 cho (1,090 hectares) of land to settle 400 families with an estimated fund of 50,000 yen. By the end of 1934, 286 families were successfully settled there.

The work of the East Asia Land Development Company in creating these four Chosenese Farm-Settlements involved everything necessary for pioneer settlements such as irrigation projects, building of farm houses, establishment of schools, provision for medical aids, acquisition of farming implements, defense projects, and provision for financial aids and facilities.

The following table gives a bird's-eye view of the entire projects as of September, 1935:

CHOSENESE FARM-SETTLEMENTS IN MANCHURIA				
	Yingkou	Hotung	Lanshihshan	Suihua
Families Settled .....	1,035	789	269	337
Number of Persons .....	5,461	3,372	1,235	1,314
Men .....	2,935	1,803	630	717
Women .....	2,526	1,562	605	597
	hectares	hectares	hectares	hectares
Land under Cultivation..	2,432	1,509	645	695
Same Per Family.....	2.3	2.0	2.3	2.0
	koku	koku	koku	koku
Crops Raised .....	42,370	42,567	12,724	21,123
Per cho .....	1.7	2.6	1.9	3.0
Per Family .....	40.9	53.9	47.3	62.6

Note: 1 koku=4,962.9 bushels.

Spurred by the success of these Farm-Settlements during 1933-1935, the East Asia Land Development Company, in cooperation with the Government General of Chosen, evolved an expansion program to be developed from the year 1935. The new projects involve the Second Yingkou Farm-Settlement with 3,000 cho (2,973 hectares) of land for the settlement of 1,200 families with 6,000 members at an estimated expense of 946,000 yen, the Second Lanshihshan Farm-Settlement with 170 cho (168 hectares) of land for the settlement of 80 families with 400 members at an estimated expense of 74,000 yen, the Second Suihua Farm-Settlement with 450 cho (446 hectares) of land for the settlement of 160 families with 800 members at an estimated expense of 143,000 yen, and the new Sanyuanpu Farm-Settlement with 470 cho (466 hectares) of land for the settlement of 200 families with 1,000 members at an estimated expense of 108,500 yen. It is believed that the 60 per cent. of the projected settlers will be drawn from Chosenese farmers already in Manchuria and the remaining 40 per cent. from Chosen.

For the purpose of supplying the Chosenese farmers in Manchuria with necessary funds for spring cultivation projects, the Japanese authorities in Manchuria have decided to increase the funds from 4,000,000 yen in 1935 to 6,000,000 yen in 1936, and to distribute them through the newly organized Federation of Rural Credit Unions. An increased immigration from Chosen is also projected by the Government General of Chosen for 1936.

#### 47 Japanese Immigration and Settlements

The Russo-Japanese War gave Japan her first foothold on continental Asia, and many a Japanese statesman dreamed of Manchuria as a god-given land for Japanese immigration. Count Kodama, Count Goto who became the first President of the South Manchuria Railway Company, and Foreign Minister Komura were the leading spokesmen of Japanese mass immigration into Manchuria. Twenty-five years later, in 1931, only 240,000 Japanese found their way into Manchuria, while only a few hundred farmers settled in the Kwantung Leased Territory and the S. M. R. Zone.

During those twenty-five years, three major attempts were made to foster Japanese immigration into Manchuria. The first attempt was made during 1914-1918 for the subsidized settlement of the S. M. R. Zone with ex-service men. In all 34 families were settled under this plan but only 17 farmers remain tilling the soil to-day. The second was the creation and settlement of the Aikawa village near Chinchou under the auspices of the Kwantung Government. 19 families in 1915 and 13 families in 1916 were settled there but only 7 families remain to-day. The last organized attempt was made by the Dairen Agricultural Company, a subsidiary of the South Manchuria Railway Company, to settle 500 families within the Kwantung Leased Territory. Only 73 families were settled accordingly since 1929. The chief difficulty in this connection has been the refusal of the Chinese authorities to grant the treaty right of owning and leasing land in Manchuria.

The Sino-Japanese controversy of 1931-1933 and the emergence of Manchoukuo changed the outlook completely. The new State granted in 1933 the right of owning farming land to Japanese and thus opened up vast areas in Manchuria for Japanese immigration. Even before this, in 1932, the Department of Colonial Affairs in cooperation with the Department of Army completed in 1932 a plan of settling 100,000 subsidized farming families within ten years. After a careful study of the new situation in Manchuria, the Gov-



ernment decided to encourage and to subsidize such a plan, however in a smaller scale.

The Japanese immigration into Manchuria thus spurred was to assume the form of self-protective settlements, directed and subsidized by the Government. The Government was to furnish farming experts, police and defense directors, physicians and veterinarians. Each immigrant farmer was to be subsidized 810 yen: training, 20 yen, travelling, 200 yen; domestic animals, 75 yen; farming implements, 150 yen; housing, 250 yen; clothing, 30 yen; and living expenses, 85 yen. In addition, the Government assumed the responsibility of providing the immigrants with various necessary common equipments and facilities, such as hospitals, barracks, baths, wells, defense walls, shops, factories, and schools, making a total individual subsidy for more than one thousand yen. At first, everything was to be carried on the basis of common management and later each immigrant was to receive about 15 to 25 cho of land. As a necessary part of this plan, a tract of land amounting to almost 1,000,000 cho in Sankiang and Pinkiang Provinces were purchased from the local owners in August, 1933, and February, 1934.

The immigration plan thus evolved is now gradually seeing its realization. To the middle of 1936 four waves of immigrants left Japan and settled in Manchuria. The first wave of 423 persons, with later addition of 68 in Manchuria, settled Yungfengchen near Chiamussu between February and April, 1933. Additional 9 were settled there in September, 1933, making the total 500. This group has at its disposal some 40,000 cho (39,640 hectares) of land of which about one-eighth is cultivable. Today there are 563 persons, including 90 families. The second wave of 482 persons was settled at Hunanying, south of Yungfengchen, in July, 1933. This group commands 12,400 cho (12,288 hectares) of land and to-day embraces 582 persons. The third wave of 259 persons was settled at Peitokou north of Harbin in October, 1934. It has a land area of about 20,000 cho (19,820 hectares) and had 308 members at the end of 1935. The fourth wave, consisting of 400 persons, settled at Chengchiho and Hadaho, south of Mishan in Eastern Manchuria, in March and April, 1936. During 1936, the Government is planning to settle some 1,000 families and 5,000 persons in cooperation with Manchuria Settlement Company as latter's first wave of settlers.

The experiments of these various settlements have been fairly satisfactory and encouraging at the end of 1935. The land under cultivation is 595 cho (589 hectares) at Yungfengchen, 511 cho at Hunanying, and 351 cho (347 hectares) at Peitokou. A marked pro-

gress was registered also in the building of private homes, reaching 104 at Yungfengchen, 62 at Hunanying, and 20 at Peitokou. Various domestic industries are being fostered to make the settlements self-supporting. Among such industries, the more important are the flour milling, rice refining, bean-oil milling, making of *shoyu* and *miso*, charcoal making, meat smoking and preserving, and tobacco drying. Beginning was also made in stock raising, sericulture, and honey making as secondary industries. Schools, hospitals, co-operative stores, amusement centers, and shrines were also established and effectively functioning. Immediate plans include the expansion of cultivation areas and the building of permanent homes.

Along with these Government-sponsored immigrant waves also came other independent groups. Since 1931, over 100 such groups planned various types of settlements but only a few of them were successfully carried out. Among the latter groups, the more spectacular ones are the Tensho-yen, the Kyohaku Institute, and the Tenrikyo Village.

The Tensho-yen was sponsored by Mr. Kosaka of the Tensho-yen in Tokyo for the purpose of first training and later settling in Manchuria the unemployed masses floating about the city of Tokyo. Beginning in March, 1933, four waves of trained immigrants, numbering in all 122, were settled at Ikoshu in western Fengtien Province. In 1934, they cultivated some 540 cho (535 hectares) of land and raised 890 koku of crops, amounting to 7,400 yuan.

The Kyohaku Institute, a sort of training school for the preparation of settlers, was organized in October, 1932, and received from the Manchoukuo Government a grant of land along the Chingpohu in the southern part of Pinkiang Province. The 200 candidates were selected in 1933 from among 800 applicants, graduates of either primary or middle schools in Japan, and each paid an entrance fee of 300 yen. They were first given a preliminary training in Tokyo and then transferred first to Tunhua and then to the Chingpohu during 1934. In 1935, there were 151 out of 198 originally settled and they together cultivated some 100 cho (99 hectares) of land, letting additional 93 cho (92 hectares) to the Chosenese farmers. The whole experiment was a failure due to the lack of financial support and the Kyohaku Institute was officially disbanded at the end of 1935. Most of the students, however, are planning to remain and to settle in Manchuria permanently.

The Tenrikyo Village was sponsored by the Young Men's Tenrikyo Association of the Tenrikyo Sect in 1932 as a religious movement and began in 1934. Some 1,340 cho (1,327 hectares) of land



near Acheng south-east of Harbin were purchased from the East Asia Land Development Company in 1933 and the settlers were selected exclusively from among the Tenrikyo followers. The first wave of settlers, embracing 43 families and 205 members, settled there in November, 1934, and the second wave, involving 20 families and 105 members, in October, 1935. Due largely to the religious motive of their settlement, the Tenrikyo Village is successfully carrying on and further expansion is projected.

In addition, an interesting movement is taking roots along the Hsinking-Tumen Line. Beginning in 1933, small-scale farms under Japanese management were started and today there are 18 of them. These farm settlements, centering around Lafa and Chiaoho and in the midst of expanding Chosenese concentration-village settlements, are thriving well and more are being added. Similar settlements are springing up also in other parts of Manchoukuo.

In the light of such varying experiments a Colonization Conference met at Hsinking in November, 1934. It was attended by more than fifty experts, involving practically all government agencies and other organizations and individuals interested in the question. As a result of five-day exchange of views and constructive deliberations, an encouraging possibility of the settlement of Japanese farmers in North Manchuria was revealed. After further studies and deliberations, the Manchuria Colonial Development Company was organized at Hsinking late in December, 1935, with an authorized capital of 15,000,000 yen. The Manchuria Colonial Development Company was created for the purpose of assisting settlers through the acquisition of land suitable for settlement, the supervision and distribution of such land, and the provision of financial aids and other necessary equipments and facilities for settlers. One-third of the authorized capital was provided by the Manchoukuo Government, one-third by the South Manchuria Railway Company, and one-third by the general public in Japan. In April, 1936, it decided to settle 20,000 Japanese farming families in ten years and 1,500 families during 1936, and the Department of Colonial Affairs in Tokyo placed at the disposal of the Company 1,135,000 yen and the Manchoukuo Government the necessary land. The settlements will take place in Pinkiang Province.

In Japan was organized in October, 1935, the Manchuria Immigration Society by those individuals who are specially interested in the encouragement of Japanese emigration into Manchuria. The headquarter is located in Tokyo and it is planning a large scale campaign with an initial budget of 700,000 yen, 100,000 yen of which

are provided by the Government. During 1936, the Government is also planning to settle some 1,000 families and 5,000 persons in co-operation with this Society. A similar society was also organized in Osaka under the name of the Osaka Immigration Society and its future activities are looked forward with keen interest. In addition, the Government is contemplating of establishing a special corporation with a capital fund of 50,000,000 yen for the purpose of subsidizing the settlement of 100,000 families in 15 years beginning with 1936.



## IX EDUCATION

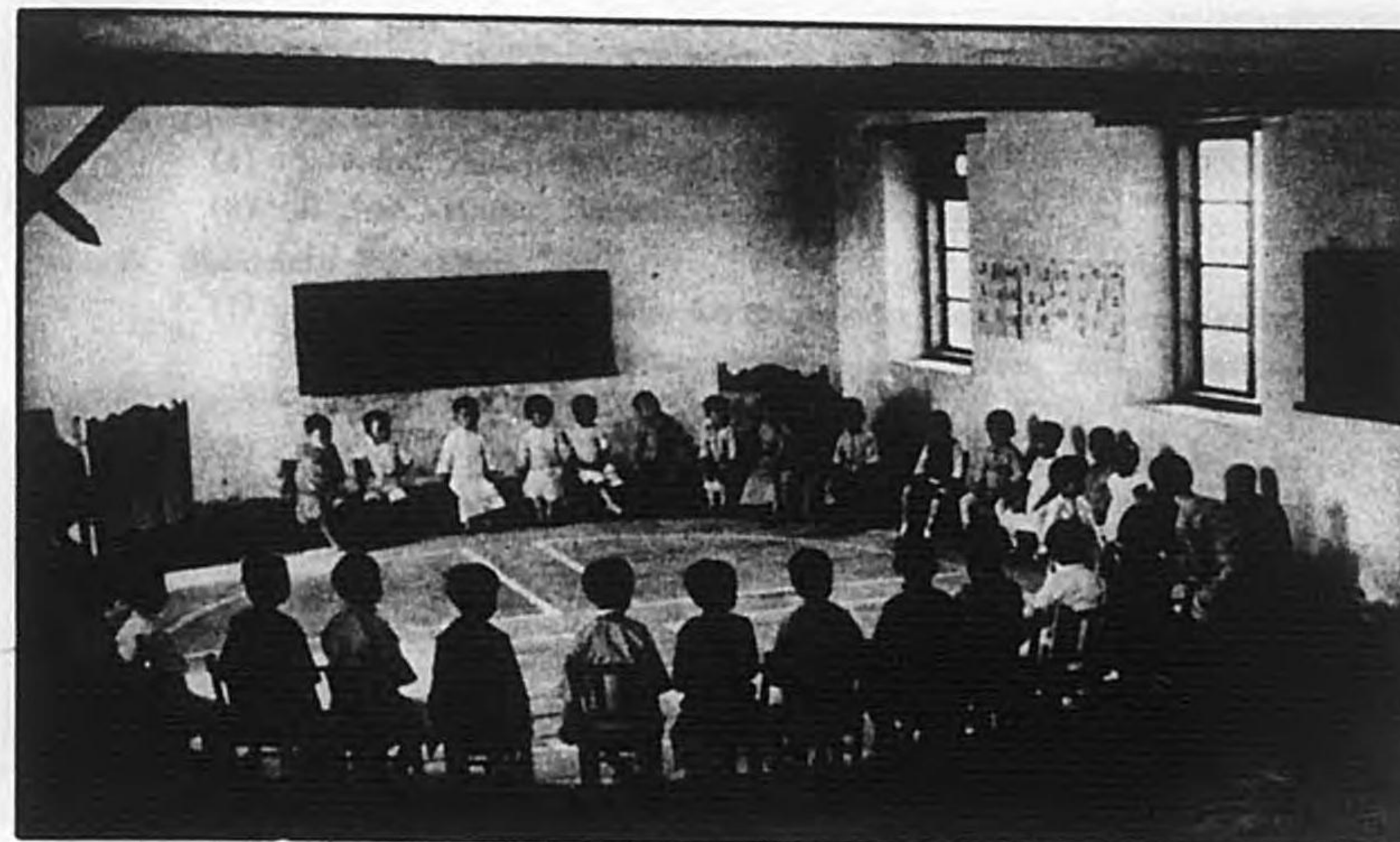
### 48 Development of Education in Manchoukuo

It is said that, prior to the Boxer outbreak in 1900, there was no real public school system in Manchuria, nor any institution for giving modern education except the few maintained by foreign missionaries. The beginning of a new school system was made in China in 1903 and more comprehensive regulations were issued in 1911. In November of that year, the Mukden Government issued regulations under which the modern school system in Manchuria was to be gradually evolved. And yet the status of educational activities in Manchuria in 1932 was extremely inadequate and primitive.

With the establishment of Manchoukuo, a new era dawned over the millions of illiterate masses. The new State fully realized the necessity of education in the molding of a new nation and began to assert its energies in building up its school system much as Japan has done after the Restoration of 1867-8 (See Fourth Report, Sections 122-126). As a result, the educational system in Manchoukuo has been completely centralized under the Department of Education and the private schools have been brought under the strict control of the Government.

The educational activities of the Manchoukuo Government thus reorganized are divided into three departments, namely, school education, social education, and cultural work. In the field of school education, a complete reorganization of the old system is now being made on an extensive scale. Special emphasis is being given for character building based upon *Li Chiao* or Confucianism and vocational training. The social education is being organized also on an extensive scale and involves various phases of popular education such as the creation of educational centers, the initiation of popular lectures, the installation of libraries, the establishment of museums, the initiation of language courses, the organization of various societies for men and women and children's groups, and the physical and athletic education. A five-year program for adult education is also being worked out. The cultural work covers a vast field of activities, including the establishment of a national academy for the preservation and study of Oriental culture.

The system of education thus evolved and enforced is as follows:



A Manchurian Kindergarten, Hsinking



New Deal in Girls' Education in Manchuria



S. M. R. Medical University and Hospital, Mukden



1. Kindergartens to the age of 7
2. Primary Education, 7 to 13:
  - (1) Lower Primary Schools, 7 to 11
  - (2) Higher Primary Schools, 11 to 13
3. Secondary Education, 13 to 19:
  - (1) Lower Normal Schools, Lower Middle Schools, Lower Agricultural, Industrial, and Commercial Schools, and Vocational Schools, 13 to 16.
  - (2) Normal Schools, Higher Middle Schools, Higher Agricultural, Industrial, and Commercial Schools, 16 to 19.
4. Higher Education, 19 to 23:
  - (1) Higher Normal Schools, 19 to 23
  - (2) Agricultural and Technical Colleges, 19 to 22

It will be readily seen that special emphasis is laid, in addition to general education, in the vocational and normal education. As it will be seen clearly from the figures given elsewhere (See Appendix II, No. 13), the number of schools is as yet very small and the Government is planning to spread the net work of schools on the firm foundation already laid. Given time, Manchoukuo promises to achieve universal education for her younger generation.

Closely allied with the organization of the educational system, the work of compiling new text books was begun in July, 1932, with the appointment of a Text-Book Compiling Supervisory Committee (See Fourth Report, Section 125). The actual task of compilation was started in March, 1933, and the first stage of the work was completed in September, 1934, when 16 text books covering 9 subjects and 6 teaching manuals on 4 subjects for primary schools and 14 text books covering 6 subjects for middle schools were published and distributed throughout the country. The second stage of this responsible work is to be completed within 1936. Meanwhile, some 54 text books covering 12 subjects, compiled soon after the outbreak of the Manchurian Incident by the Educational Department of Fengtien Provincial Government and the South Manchuria Educational Association are authorized for a transitional use.

As the Manchoukuo Government is at present giving almost all of its efforts in the establishment of primary and secondary education all over the country, the question of higher education except the normal school education still remains unsolved. Consequently, the Government has early adopted the policy of sending well-qualified students abroad as far as State funds permit and of helping at government expense those who proceed abroad privately. Since March, 1933, the Government has been dispatching 20 students annually and already three such waves left the country during 1933, 1934, and 1935. Most of the students are studying in Japan. In July, 1935,



there were, including all types, 285 Manchou students in Japan, 1 in Germany, and 34 in the Kwantung Leased Territory.

#### 49 Japanese Educational Work in Manchuria

The educational system maintained by the Japanese in Manchuria, though fundamentally similar to that of Japan Proper, is modified so as to meet the conditions peculiar to Manchuria. It is of three kinds.

##### (1) Schools for Japanese

Beginning with two elementary schools for Japanese children in 1906, the educational work in the Kwantung Leased Territory and the S. M. R. Zone had made a rapid progress. The schools in the Leased Territory were built and maintained by the Kwantung Government and those in the Railway Zone by the South Manchuria Railway Company (See Fourth Report, Section 131). Today there are 25 primary schools in the Leased Territory and 46 in the S. M. R. Zone making a total of 71, while there are 4 middle schools in the Leased Territory and 5 in the S. M. R. Zone, making a total of 9. There are also 4 girls' high schools in the Leased Territory and 6 in the S. M. R. Zone. In addition, there are two commercial schools, one established at Dairen in 1910 by the Oriental Association of Tokyo and the Dairen Municipality, and the other at Hsinking in 1920 by the South Manchuria Railway Company. The following table shows the general features of these primary and secondary schools in the Kwantung Leased Territory and the S. M. R. Zone (Cf. Fourth Report, Section 131):

##### PRIMARY AND SECONDARY SCHOOLS FOR JAPANESE

Classification	Location	Schools	Students	Teachers
Kindergartens	Leased Territory	21	1,783	56
	S. M. R. Zone	37	2,580	67
Primary Schools	Leased Territory	25	21,103	—
	S. M. R. Zone	46	29,453	831
Middle Schools	Leased Territory	4	3,291	—
	S. M. R. Zone	5	2,723	144
Girls' High Schools	Leased Territory	4	3,198	—
	S. M. R. Zone	6	2,982	128
Miscellaneous Schools	Leased Territory	18	4,721	151
	S. M. R. Zone	54	8,264	486

Note: Schools in the Leased Territory as of May 1, 1935; those in the S. M. R. Zone as of March 31, 1936.

To provide advanced training for the professions, the higher professional school system of Japan has been introduced in South

Manchuria. There are two colleges and two universities. The South Manchuria Technical College was established at Dairen in 1922 by the South Manchuria Railway Company and provides training in constructive and mechanical engineering. The Normal College was established at Mukden in 1924 also by the South Manchuria Railway Company and has two departments of literature and science. The Technical University of the Kwantung Government was established in 1910, at first as a college and advanced to a university standing in 1923, and provides a three-year preparatory course and a three-year regular course. The Manchuria Medical University of the South Manchuria Railway Company was established in 1911, also at first as a college and advanced to a university standing in 1922 (See Fourth Report, Sections 132 and 144).

##### JAPANESE COLLEGES AND UNIVERSITIES

	Students	Teachers
South Manchuria Technical College	274	72
Normal College	62	28
Technical University	392	87
Manchuria Medical University	634	111

Note: Technical University as of May 1, 1935; others as of March 31, 1936.

##### (2) Schools for Manchurians

For the education of Manchurians exclusively, public schools of primary grade and middle schools were established and are maintained by the Kwantung Government in the Leased Territory and by the South Manchuria Railway Company in the S. M. R. Zone. A number of primary schools of lower grades is also maintained by the Kwantung Government and a Japanese language school for Manchurians by the South Manchuria Railway Company.

The Kwantung Government and the South Manchuria Railway Company have paid as much attention to the encouragement of vocational education among native youths as to elementary education. These schools may be classified under three groups, namely, agricultural, commercial, and mining schools. Agricultural schools were established at Hsiungyaocheng and Kungchuling in connection with the S. M. R. Agricultural Experimental Stations and at Chinchou; commercial schools were established in commercial centers, such as Dairen, Liaoyang, Mukden, and Yingkou; and a mining school in the mining town of Fushun.

The following table gives a bird's-eye view of the schools for the Manchurian youths (Cf. Fourth Report, Section 130):



## SCHOOLS FOR MANCHURIANS

Classification	Schools	Students	Teachers	
Primary Schools	Government Schools in Leased Territory .....	13	14,533	—
	Local Schools in Leased Territory .....	116	34,737	—
	Public Schools in S. M. R. Zone	10	6,332	117
	Japanese Language School in S. M. R. Zone .....	1	285	5
Secondary Schools	Port Arthur High School....	1	430	—
	South Manchuria High School.	1	430	25
Vocational Schools	Commercial Schools .....	2	42	17
	Agricultural Schools .....	2	60	18
	Mining Schools .....	2	314	53

Note: Schools in the Leased Territory as of May 1, 1935; those in the S. M. R. Zone as of March 31, 1936.

(3) *Schools for Chosenese*

As the Chosenese population in Manchuria is growing larger every year, being estimated today at 662,000, the problem of their education has been also growing in importance. The South Manchuria Railway Company maintains 16 common schools embracing 8,106 Chosenese children in the S. M. R. Zone. There are also 566 schools for the education of the Chosenese children in various parts of Manchuria, of which 443 are in Chientao District and Hunchun. Some of them were built by the South Manchuria Railway Company or by its help, others by the Government General of Chosen and a large number by the Chosenese communities or associations. In the fiscal year 1935, 195,000 yen were expended by the South Manchuria Railway Company in this work.

50 **Educational Work of Missionaries**

The Roman Catholics, the Scotch Mission, the Presbyterian Church of Ireland, and the Danish Missionary Society are all engaged in missionary enterprises in various parts of Manchuria, though small in scale. They are all participating in educational and medical works. A number of small missionary institutions, including kindergartens, grammar schools, grammar schools of higher grade, and high schools are in existence. Theological College, Manchurian Christian College, and Mukden Medical College, all very small, are also maintained by the Missionaries.

## I THE SOUTH MANCHURIA RAILWAY COMPANY

## APPENDICES

## I THE SOUTH MANCHURIA RAILWAY COMPANY

## II STATISTICS ON MANCHURIA

## III DOCUMENTARY MATERIAL



# I THE SOUTH MANCHURIA RAILWAY COMPANY

## No. 1 General Balance Sheet

For the Year ending on March 31, 1936

### I. ASSETS

Subscribed Capital Stock Uncalled .....	¥287,792,000
<b>Fixed Assets:—</b>	<b>802,940,465</b>
Railroad .....	305,196,571
Hotels .....	5,264,435
Harbours .....	100,471,385
Collieries .....	119,794,224
Oil Plant .....	10,518,429
Equipment for Local Administration .....	193,027,240
Offices, Employee's Dwellings & Others .....	68,668,181
Merchandise:—Coal, Iron and Other Products .....	4,278,135
Material and Supplies .....	15,080,464
Bonds and Stocks .....	199,857,554
Cash in Hand .....	396,232
Deposits in Banks .....	37,352,422
Loans .....	342,778,965
Accounts Receivable .....	252,043
Collateral Securities .....	9,323,263
Guaranty Funds .....	15,918
Bills Receivable .....	6,151,403
Exchange Accounts .....	1,334,736
Due from Other Concerns .....	109,170,747
Partial Payments made in Advance .....	238,288,132
<b>Total .....</b>	<b>1,983,062,478</b>

### II. LIABILITIES

Capital Stock Subscribed .....	¥800,000,000
Legal Reserve .....	39,290,000
Special Reserve .....	189,900,000
Bonds .....	652,400,000
Deposits .....	55,033,882
Accounts Payable .....	1,442,173
Collateral Securities .....	3,100
Guaranty Funds .....	5,630,950
Bills Payable .....	60,100,000
Exchange Accounts .....	82,387
Employees' Savings Deposits .....	12,817,564
Employees' Security Deposits .....	56,954,682
Employees Mutual Relief Society Deposits .....	5,543,043
Due to Other Concerns .....	27,413,640
Matured Bonds Unpaid .....	41,800
Sundry Receipts Unadjusted .....	14,235,512
Balance brought forward from Previous Year .....	12,649,602
Net Profit for the Year ended March 31, 1936 .....	49,624,142
<b>Total .....</b>	<b>1,983,062,478</b>



## No. 2 S. M. R. Debentures

## (1) Amounts Issued, Redeemed, and Outstanding

Fiscal Years	Amounts Issued	Amounts Redeemed	Amounts Outstanding	Interests Paid
1907-1916	¥136,682,000	¥19,526,000	¥117,156,000	¥46,121,000
1917	10,200,000	—	127,356,000	5,887,000
1918	9,800,000	—	137,156,000	6,554,000
1919	60,000,000	—	197,156,000	8,088,000
1920	65,000,000	117,156,000	145,000,000	8,815,000
1921	30,000,000	—	175,000,000	10,585,000
1922	50,000,000	30,000,000	195,000,000	12,423,000
1923	59,000,000	35,000,000	219,052,000	14,194,000
1924	50,000,000	15,000,000	254,052,000	15,756,000
1925	35,000,000	45,300,000	243,752,000	17,096,000
1926	25,000,000	300,000	268,452,000	16,674,000
1927	70,000,000	60,300,000	278,152,000	16,632,000
1928	70,000,000	70,525,000	277,627,000	16,706,000
1929	—	525,000	277,102,000	15,852,000
1930	20,000,000	525,000	296,577,000	16,202,000
1931	30,000,000	10,525,000	316,052,000	17,670,000
1932	79,700,000	6,225,000	339,527,000	21,020,000
1933	145,000,000	156,677,000	377,850,000	20,865,000
1934	160,000,000	225,000	537,625,000	23,152,000
1935	115,000,000	225,000	652,400,000	28,960,000
Total	1,220,434,000	568,034,000	652,400,000	339,253,000

## (2) Debentures Outstanding on March 31, 1936

Issues	Amount Outstanding	Date Issued	Date of Maturity	Interest Rate
6	¥2,700,000	Oct. 1917	Oct. 1947	5.5
27	50,000,000	Dec. 1927	Dec. 1937	5.0
28	35,000,000	June 1928	June 1938	5.5
29	35,000,000	Mar. 1929	Mar. 1939	5.5
31	30,000,000	Aug. 1931	Aug. 1938	5.5
32	50,000,000	Aug. 1932	Aug. 1936	6.0
33	20,000,000	Dec. 1932	Dec. 1939	5.5
34	{ A 7,150,000 B 2,550,000	Mar. 1933	Mar. 1943	{ 4.2 5.5
35	30,000,000	May 1933	May 1940	5.0
36	35,000,000	Sept. 1933	Sept. 1934	4.5
37	50,000,000	Nov. 1933	Nov. 1945	4.5
38	30,000,000	Mar. 1934	Mar. 1946	4.5
39	15,000,000	Apr. 1934	Apr. 1948	4.5
40	30,000,000	May 1934	May 1946	4.5
41	40,000,000	Aug. 1934	Aug. 1939	4.5
42	15,000,000	Nov. 1934	Nov. 1948	4.3
43	30,000,000	Jan. 1935	Jan. 1948	4.3
44	30,000,000	Mar. 1935	Mar. 1950	4.3
45	15,000,000	June 1935	June 1949	4.3
46	30,000,000	Aug. 1935	Aug. 1948	4.3
47	30,000,000	Oct. 1935	Oct. 1948	4.3
Electric Company's Loan	10,000,000	Dec. 1935	May 1941	4.5
48	30,000,000	Feb. 1936	Feb. 1949	4.3
Total	652,400,000			

## No. 3 S. M. R. Capital Outlay

## (1) Capital Outlay for the Fiscal Year 1935

(Ending on March 31, 1936)

	Fiscal Year 1935	1907-1936
Railways	¥23,956,201 (42.8%)	¥305,196,571 (38.0%)
Hotels	146,612 (0.3%)	5,264,435 (0.7%)
Harbors	7,034,071 (12.6%)	100,471,385 (12.5%)
Coal Mines	11,865,593 (21.2%)	119,794,224 (14.9%)
Shale Oil Plant	897,321 (1.6%)	10,518,429 (1.3%)
Local Public Works	6,649,704 (11.9%)	193,027,240 (24.0%)
Offices, Employees' Dwellings and others	5,400,769 (9.6%)	68,668,181 (8.6%)
Total	55,950,273 (100%)	802,940,465 (100%)

## (2) Comparative Growth of Capital Outlay: 1907-1935

At the end of Fiscal Year	Amount	At the end of Fiscal Year	Amount
1907	¥106,570,675	1922	¥506,886,458
1908	136,996,413	1923	536,061,146
1909	156,330,190	1924	573,238,105
1910	183,803,107	1925	598,725,860
1911	206,172,238	1926	593,923,799
1912	217,579,171	1927	644,841,734
1913	228,648,314	1928	671,751,338
1914	237,753,138	1929	716,201,517
1915	242,463,425	1930	742,069,207
1916	248,595,576	1931	758,678,028
1917	264,436,082	1932	753,428,620
1918	287,357,507	1933	737,941,773
1919	369,356,194	1934	777,944,343
1920	430,691,247	1935	802,940,465
1921	474,443,769		

## No. 4 Receipts and Expenditures

## (1) Receipts and Expenditures for the Fiscal Year 1935

	Receipts	Expenditures	Balance
Railways	¥134,686,176	¥ 50,655,794	¥84,030,382
Hotels	3,215,464	3,309,076	-93,612
Harbors	14,398,971	10,798,621	3,595,350
Coal Mines	92,559,842	79,862,281	12,697,561
Shale Oil Plant	6,962,095	5,910,853	1,051,242
Local Public Works	9,406,900	23,624,661	-14,217,761
General Affairs	6,667,370	37,668,126	-31,000,756
Interest	34,267,032	40,705,297	- 6,438,265
Total	302,158,850	252,534,708	49,624,142

## (2) Comparative Growth of Receipts and Expenditures: 1907-1935

Fiscal Years	Receipts	Expenditures	Balance
1907	¥12,543,116	¥10,526,531	2,016,585
1908	17,615,683	15,502,101	2,113,582
1909	23,113,933	17,342,234	5,771,699
1910	24,777,685	21,069,368	3,708,316
1911	28,155,080	24,487,652	3,667,428



Fiscal Years	Receipts	Expenditures	Balance
1912	222,546,477	222,620,422	4,926,045
1913	42,417,123	35,242,844	7,174,279
1914	44,570,516	37,126,525	7,443,991
1915	43,785,025	35,705,525	8,080,499
1916	52,402,408	42,254,811	10,147,597
1917	69,422,252	54,503,510	14,918,742
1918	96,257,278	74,064,706	22,192,572
1919	123,132,227	123,752,422	374,805
1920	174,722,227	147,245,303	27,476,924
1921	147,100,608	115,714,654	31,385,954
1922	182,252,545	134,875,412	47,377,133
1923	185,522,224	150,902,722	34,619,502
1924	194,161,785	159,822,272	34,339,513
1925	201,522,319	165,722,029	35,800,290
1926	215,514,544	181,427,050	34,087,494
1927	230,522,224	194,254,201	36,268,023
1928	240,427,222	197,274,221	43,153,001
1929	240,222,022	195,422,225	44,800,000
1930	180,124,022	165,422,221	14,701,801
1931	187,654,412	174,455,722	13,198,690
1932	245,240,274	154,522,225	90,718,049
1933	242,021,717	205,021,153	37,000,564
1934	270,522,225	224,221,743	46,300,482
1935	302,152,225	222,524,708	79,627,517

### No. 5 Railway Receipts and Expenditures

#### (1) Railway Receipts and Expenditures: 1907-1935

Fiscal Years	Receipts	Expenditures	Balance
1907	49,722,227	46,101,615	3,620,612
1908	12,527,142	5,151,408	7,375,734
1909	15,022,122	5,222,222	9,800,000
1910	15,571,615	6,542,540	9,029,075
1911	17,522,222	6,922,222	10,600,000
1912	19,222,222	7,542,222	11,680,000
1913	22,275,122	7,912,222	14,362,900
1914	22,222,222	8,222,222	14,000,000
1915	21,222,222	8,174,222	13,048,000
1916	21,222,222	8,422,222	12,800,000
1917	24,427,222	10,222,222	14,205,000
1918	44,222,222	17,022,222	27,200,000
1919	67,022,222	30,222,222	36,800,000
1920	85,222,222	36,222,222	49,000,000
1921	78,222,222	33,222,222	45,000,000
1922	87,222,222	34,222,222	53,000,000
1923	92,222,222	35,222,222	57,000,000
1924	92,222,222	36,222,222	56,000,000
1925	97,222,222	38,222,222	59,000,000
1926	107,222,222	45,222,222	62,000,000
1927	112,222,222	45,222,222	67,000,000
1928	112,222,222	44,222,222	68,000,000
1929	122,222,222	47,222,222	75,000,000
1930	95,222,222	36,222,222	59,000,000
1931	85,222,222	37,222,222	48,000,000
1932	103,222,222	38,222,222	65,000,000
1933	119,222,222	43,222,222	76,000,000
1934	125,222,222	53,222,222	72,000,000
1935	134,222,222	50,222,222	84,000,000

#### (2) Passenger Traffic: 1907-1935

Fiscal Years	Passenger Traffic	Passenger Receipts
1907	1,512,231	Y3,594,239
1908	1,868,140	2,964,587
1909	2,179,062	3,250,412
1910	2,349,088	3,264,639
1911	3,158,270	4,273,423
1912	3,905,822	5,008,633
1913	4,143,687	5,069,127
1914	3,617,547	4,367,168
1915	3,708,165	4,842,333
1916	4,410,816	6,040,458
1917	5,844,929	8,136,707
1918	7,491,946	10,911,382
1919	9,274,114	14,243,790
1920	8,123,411	14,659,337
1921	6,926,619	12,194,288
1922	7,645,068	12,389,464
1923	8,762,862	13,431,856
1924	8,732,718	13,645,538
1925	9,109,004	14,530,942
1926	8,290,085	15,216,353
1927	8,263,089	16,102,953
1928	9,702,119	17,619,293
1929	10,410,579	17,451,585
1930	8,115,808	11,461,175
1931	6,331,760	9,135,663
1932	8,610,159	14,812,045
1933	11,633,875	18,757,364
1934	13,786,403	20,332,876
1935	15,122,922	22,412,222

#### (3) Freight Traffic: 1907-1935

Fiscal Years	Freight Traffic	Freight Receipts
1907	1,343,493 Ton	Y6,160,274
1908	2,366,917	9,542,262
1909	3,237,368	11,241,859
1910	3,558,187	11,641,529
1911	4,269,002	12,471,415
1912	4,247,236	13,913,341
1913	5,245,576	16,159,171
1914	5,176,436	17,550,150
1915	5,316,842	17,260,655
1916	5,651,636	19,882,476
1917	6,599,133	23,793,056
1918	7,560,681	30,377,682
1919	9,159,701	46,305,759
1920	9,211,944	63,867,030
1921	9,435,069	59,615,835
1922	10,926,199	69,518,111
1923	12,130,782	72,582,757
1924	13,234,630	77,019,368
1925	13,649,089	80,535,820
1926	15,000,728	89,513,059
1927	16,717,677	94,040,819
1928	17,530,324	97,738,147
1929	18,562,959	101,089,474
1930	15,193,272	77,936,688
1931	15,454,213	70,897,756
1932	16,572,816	85,022,314