

X MANUFACTURING INDUSTRY

116 Industrial Development

Modern industrial practice having been first introduced by the Russians in North Manchuria and by the Japanese in South Manchuria, the Chinese had full opportunity to participate in industrial development. But continued tax extortion, the chaotic state of the currency, and anti-foreign movements which prevailed under the military *régime* of the Chang family seriously discouraged enterprise and foreign investment. The new Manchuria State (滿洲國), however, in its declaration of independence, shows its determination to develop commerce and industry and to welcome foreign capital, regardless of nationality, in pursuance of the policy of the Open Door. There thus appear to be new and bright prospects for the future development of Manchuria.

Before the construction of railways by Russians and Japanese, the Chinese in Manchuria were engaged almost entirely in agricultural pursuits, or primitive manufacturing industries of which agriculture was the basis. They pressed oil from the soya bean for food and light, distilled alcoholic drinks from kaoliang, ground flour, made coarse silk from the wild cocoon, and produced other necessities of life as a by-product of farming. In those days Mongolian horses, mules, and donkeys were the power utilized for manufacturing these staples.

The Russians first introduced to North Manchuria modern manufacturing methods in flour-milling, sugar-refining, the dressing of lumber, etc. Similarly, it was the Japanese who opened up South Manchuria industrially with their capital and skill. The Chinese, always alert to their own interest, were somewhat stimulated by the rise of new industries in the foreign concessions, and their own industry made a certain degree of improvement. Development, especially in the Japanese Railway Zones and Leased Territory, being fostered by the South Manchuria Railway Company and the Kwantung Government through the Central Laboratory, the Geological Institute, Agriculture Experimental Stations, Model Farms, Research Offices, and similar institutions, the growth of manufacturing industries was significant, particularly during the latter part of the European war. But the subsequent general depression seriously, though temporarily, affected all industries in Manchuria, particularly those established during the war. The depressed industries were on the road to gradual recovery, when the unprecedented world-wide depression brought another setback, the radical fall of silver in 1930 being especially prejudicial to all trade.

The following table taken from the statistical returns of the Kwantung Government will give some idea of the industrial progress

made during the twenty-two years ending 1930 within Japanese jurisdiction in Manchuria, including the Railway Zone and Consular Districts:

Year	No. of Factories	No. of Workers by Day	Capital Investment in yen	Value of Products in yen
1909	152	—	16,132,101	6,138,792
1914	244	—	24,536,830	20,799,196
1919	450	—	123,571,509	242,882,798
1923	633	8,550,045	200,827,607	136,261,877
1924	658	10,155,288	192,936,596	139,900,726
1925	673	10,805,857	283,546,878	158,765,427
1926	685	13,000,903	301,679,138	174,068,554
1927	750	12,937,316	292,002,302	140,378,528
1928	748	11,969,081	304,250,719	144,994,790
1929	789	13,571,319	302,080,061	126,915,076
1930	849	13,378,865	324,322,017	103,984,887

As will be seen, the depression of 1930 markedly affected the value of production, which fell off despite the increase of factories and capital.

So far as the manufacturing industry in North Manchuria is concerned, regarding which accurate data are not available, it is reported that there are about six hundred factories and mills, of which 147 are bean-oil mills, 62 liquor distilleries, and 52 flour mills.

Dairen is the largest manufacturing centre in South Manchuria, while Harbin is the chief centre in North Manchuria. The former is particularly the centre of bean-oil mills and the latter of flour mills. While the industrial activity of Chinese replaced Russian activity in Harbin after the European war, the Chinese themselves in recent years have established a number of manufacturing plants and mills in Mukden, which is thus becoming an industrial city.

Manchuria as yet furnishes mostly raw materials or semi-manufactured products for further use in manufacture by the industrially advanced countries. As a manufacturing country, however, it possesses certain advantages. It has natural resources in abundance in the form of agricultural and mineral products, besides live-stock and other staple products; fuel in the form of coal; and excellent labour in the sturdy coolie type. Furthermore, with its increasing population, and with China proper and Siberia in the North as neighbours, it has markets easily accessible on all sides. Still it is far from being an industrial country in the modern sense of possessing organization, technical skill, and ample capital.

117 Chinese Labour

Chinese labour is one of the important factors in the industrial life of Manchuria. Ordinary labourers, especially in agriculture, mining, and fishery, are almost all Chinese. Even in the Japanese Railway Zone, the Leased Territory and Consular Districts, where Japanese are in a more favourable condition, more than 93 per cent. of farming labour, more than 70 per cent. of fishermen, 96 per cent. of miners, and 88 per cent. of factory labourers were Chinese, as calculated at the end

of 1929. The following table shows number of Chinese and Japanese workers employed by manufacturing plants or mills in the Japanese Leased Territory, Railway Zone and Consular Districts :

Manufacturing Plants and Mills	No. of Factories	No. of Japanese Day Labourers	No. of Chinese Day Labourers	Total
Spinning & Weaving	74	81,480	2,456,891	2,538,371
Metal Works.....	78	346,852	1,598,314	1,945,166
Machinery & Furniture	76	580,785	1,337,919	1,918,704
Bean Oil & Other Chemical Works ...	229	218,818	3,479,351	3,698,169
Food & Drink	182	80,315	1,292,262	1,372,937
Miscellaneous.....	185	169,646	1,363,918	1,534,974
Special Industries.....	23	90,843	279,701	370,544
Total 1930	847	1,568,739	11,810,126	13,378,865
1929	789	1,551,517	12,019,802	13,571,319
1928	748	1,455,751	10,513,330	11,969,081
1927	717	1,507,070	10,486,723	11,993,793
1926	655	1,779,349	9,550,201	11,329,550
1925	653	1,419,299	8,897,912	10,317,211
1924	634	1,376,697	8,302,850	9,679,547

Of the number of manual workers above-mentioned, the Japanese show a tendency to remain stationary, if not decrease, in contrast to the steady increase of the Chinese. As a matter of fact, most of the Japanese workers are skilled craftsmen or foremen. Even the ordinary Japanese labourer, however, though his efficiency may be 30-40 per cent. higher than that of the Chinese, is not able to compete with the Chinese owing to difference in standard of living, which is much more expensive for the Japanese.

Chinese labour, owing to the lower standard of living, lesser efficiency and ample supply, receives less in wages than Japanese. But Chinese workers in the Japanese factories in Manchuria are paid much better wages, as much as from one and a half to three times, than workers employed in Chinese factories or mills, as shown in the table below :

	Wages of Chinese in Japanese Factories			Wages of Chinese in Chinese Factories		
	Max.	Min.	Average	Max.	Min.	Average
Spinning Mills	1.85	0.34	0.57	0.58	0.25	0.46
Dyeing & Weaving	0.89	0.20	0.41	0.50	0.19	0.29
Metal Works.....	2.85	0.25	0.88	1.60	0.08	0.31
Pottery Kilns.....	1.84	0.28	0.66	0.24	0.17	0.19
Bean Oil Mills	1.50	0.45	0.74	2.02	0.07	0.31
Match Factories	0.82	0.26	0.39	0.50	1.12	0.30
Paper Mills	1.90	0.25	0.56	0.70	0.20	0.47
Rice Cleaning Mills.....	0.80	0.45	0.54	0.67	0.16	0.49
Breweries	0.82	0.46	0.57	0.47	0.22	0.31
Printing Shops	2.58	0.30	0.76	1.50	0.07	0.27
Railwaymen	1.96	0.33	0.63	1.15	0.29	0.41
Tramwaymen	1.04	0.32	0.57	0.97	0.14	0.47

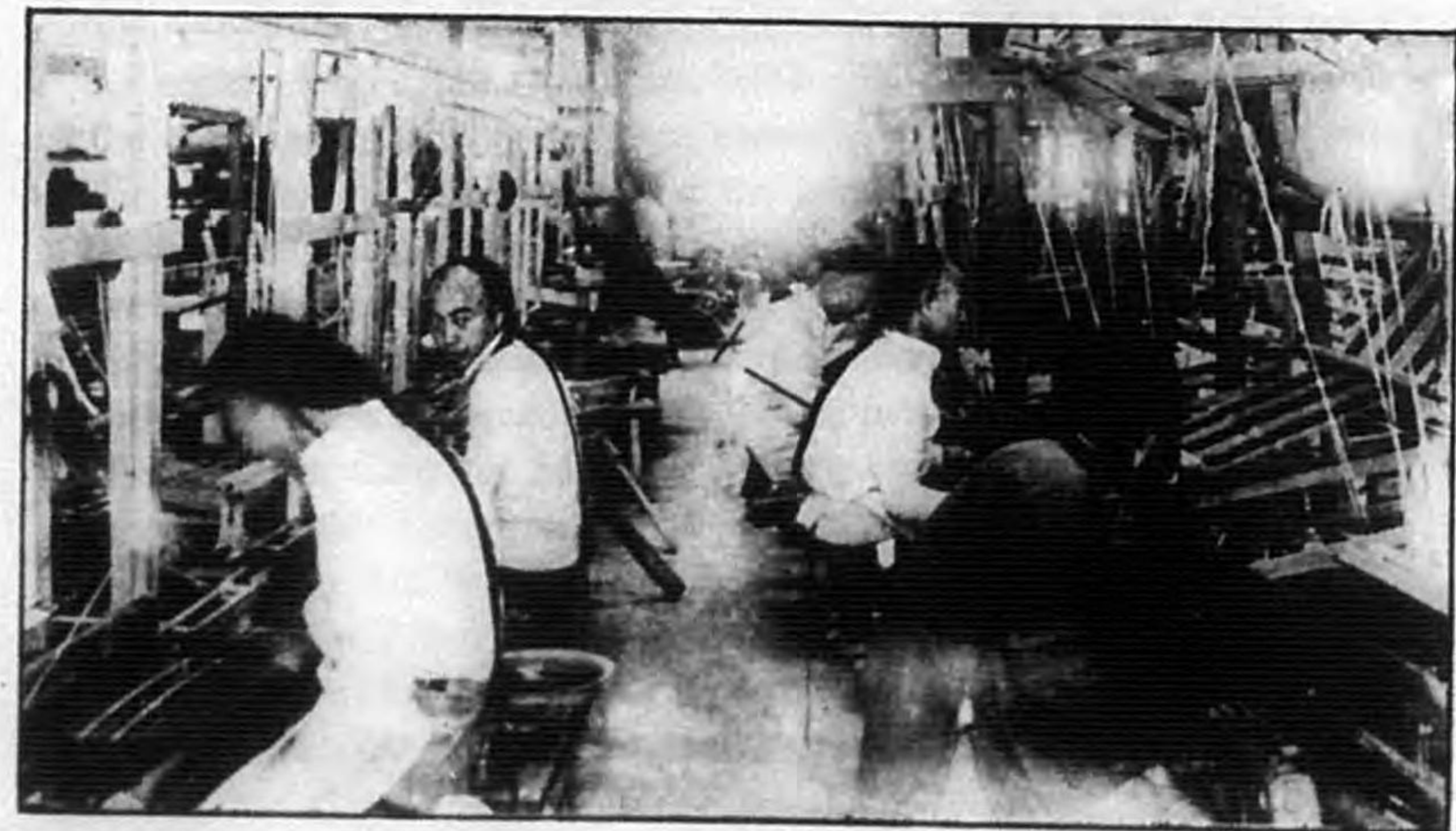
Regarding working hours, Chinese employed in Japanese factories in Manchuria work the same number of hours as Japanese employees. But hours in Chinese factories or mills are much longer than in Japanese



Chinese Coolie Labour at Dairen Harbour



Chinese Girl Workers in Japanese Tobacco Factory



Chinese Labour at Weaving Mill at Antung

factories. The following table shows a comparison of the working hours of Chinese in Japanese factories and in Chinese mills:

Factories	July, 1928	
	Chinese Daily Hours in Japanese Factories	Chinese Daily Hours in Chinese Factories
Weaving & Dyeing	10.53	13.40
Metal Works	9.35	10.45
Bean Oil & Other Chemical Works	10.27	10.48
Food and Drink Factories	9.48	11.40
Miscellaneous Factories.....	10.10	13.00
Special Factories.....	9.00	—
Average.....	9.58	11.28

It will be seen that the daily average of working hours in the Japanese factories is nine hours and fifty-eight minutes, as against eleven hours and twenty-eight minutes in Chinese factories.

Chinese in Japanese factories enjoy not only better wages and shorter working hours, but benefit by welfare organizations such as accident and sick relief, compensation for dependents bereaved by accident, regular allowances beside wages, better sanitation, recreation, and other benefits.

118 Bean-Oil Mills

Bean-milling is one of the oldest manufacturing industries in Manchuria, and still to-day ranks foremost. There were about 422 mills in 1930, and their aggregate product, amounted to over 1,550,000 tons of cake, and 154,000 tons of oil. These figures, compared with those in the previous year, show some falling-off owing to the general depression.

The oil mills, called "yufang" by the Chinese, originated several hundred years ago in South China, and were introduced to Manchuria in the middle of the nineteenth century, when hemp-seed oil mills at Tiehling and Changchun, then the centre of bean production, commenced bean-oil extraction by adopting the hemp-seed oiling process. The crude bean-oil, made by primitive processes, was extensively used for cooking and lighting purposes, while the beancake, the residue of the bean after the oil has been squeezed out, was used as cattle-feed and very little as fertilizer. After the port of Newchwang was opened, Manchurian beancake was sent to South China, where it was extensively utilized as fertilizer for the sugar-cane plantations. As before stated, Manchurian beancake after the Sino-Japanese war found a growing market in Japan. In those days, a number of small mills was established at Liaoyang, Mukden, Tiehling, and Newchwang, the last being the chief market for this product. An Englishman first introduced a steam plant into this industry, installing it at Newchwang in 1896.

After the Russo-Japanese war, bean-oil mills were established by Chinese at Dairen, and several large modern factories were set up by the Japanese. A more efficient scientific method was developed by the

Central Laboratory of the South Manchuria Railway Company—the chemical extraction by benzine or benzol—but to date the Honen Bean Mill is the only factory operated on this system. By the improved method practically all the oil in the bean, or more than 14 per cent. of the bean, can be extracted, while only 10-12 per cent. can be obtained by the expressing system. Old native mills still squeeze out the oil by the wedge process with animal or human power. The screw process, though originated by Chinese, has been improved and fitted for large scale production, steam or electric power being used. Still another process utilizes hydraulic pressure. The Nisshin Oil Mills (Japanese), Dairen, and other Japanese mills, and the Kabalkin Mill (Russian), Harbin, have adopted the hydraulic pressure system.

Among the bean mills in Manchuria, Dairen and Harbin have plants equipped with a comparatively advanced type of machinery, the others being mostly old fashioned.

119 Alcoholic Liquor

The distilling of the native kaoliang spirit is reckoned one of the important manufactures. The industry is said to date back to the close of the 17th century, when the more civilized life of South China made its entrance into Manchuria.

Mukden and Liaoyang were the centres of the distilling industry. The more the population increased, the less profitable became the industry, since a limit was placed by the authorities on the quantity of kaoliang spirit, the object being to preserve the cereal as foodstuff. The industry was then driven to the North, where kaoliang could be obtained more cheaply, and it is now very active in Kirin Province.

The annual production in Manchuria is estimated in value at over 2,500,000 yen, of which spirit to the value of 1,000,000 yen is exported to China proper. While the Russians maintain several vodka distilleries and beer breweries in North Manchuria, especially in Harbin, several saké breweries have been established by Japanese in South Manchuria.

As to Japanese saké manufacture, the total output for 1930 was 3,446 koku (165,408 American gallons) valued at 231,300 yen. In the same year, saké imported from Japan and Korea was valued at 450,000 Hk. Ts.

120 Flour Mills

Wheat flour being the important food of the natives next to kaoliang, flour mills, called "mofung," or grinding houses, are found everywhere in Manchuria. These mills, employing coolie and donkey labour, work on a small scale, but none the less are only next in importance to the bean-oil and distilling industries. Modern flour mills are called "huomo," or fire-mills, by the Chinese, as they are provided with machinery and use steam and electricity for motive power. Three

modern mills were first established in Harbin by the Russians in 1902, chiefly to supply Russian settlers and soldiers in Manchuria and East Siberia. Modern mills in South Manchuria were first started by Japanese soon after the Russo-Japanese war, but the chief customers were the Chinese. Stimulated by the Russian and Japanese activities in milling, the Chinese gradually entered the industry, especially in Harbin and Changchun. Russian mills formerly suffered from the competition of the mills in South Manchuria, but the world-wide shortage of foodstuffs during the European war more than enabled them to recover their former prosperity. This favourable condition, however, did not last long, and the industry was unable to resist the American and Canadian product, which found a market in Manchuria after the European war. In 1930, production of flour in Manchuria was estimated at about 12,713,000 sacks, of which approximately 10,460,000 sacks were the share of North Manchuria. Manchuria in the same year imported flour amounting to about 3,335,000 piculs valued at 17,957,000 taels.

121 Tobacco

As before stated, tobacco is one of the staple products of Manchuria. The annual production of leaf was recently estimated at over 42,000,000 kin (56,000,000 lbs.), distributed as follows:—10,000,000 kin (13,000,000 lbs.) in Mukden Province, 24,000,000 kin (32,000,000 lbs.) in Kirin Province, and 800,000 kin (1,666,666 lbs.) in Amur Province. The better leaf is raised around the City of Kirin, but most Manchurian leaf is hardly suitable for cigarette making without first being blended with foreign leaf. Cigarette manufacture was introduced by Russians at Harbin, where two firms, Robert and Chiulin, had factories in the days before the Russo-Japanese war. Soon after the war, the British-American Tobacco Company, having factories in Shanghai and Tientsin, penetrated Manchuria with their products. In December, 1906, the To-a Tobacco Joint Stock Company, organized by Japanese with a capital of 1,000,000 yen (later increased to 10,000,000 yen) established a factory at Newchwang. The British-American Tobacco Company established a factory in Mukden in 1919 and two years later a factory at Harbin. Another Japanese tobacco company, called the Asia Tobacco Corporation, also established a factory at Mukden in 1921, which was later on amalgamated with the above-mentioned To-a Tobacco Company. In 1922, a Chinese tobacco factory was established at Mukden, with capital chiefly furnished by Chinese officials, bearing the name of the Three Eastern Provinces Tobacco Company, which, however, went out of existence in 1924. In the same year another Chinese factory, called the Huahuayen Kungssu, was established outside the city of Mukden. Thus Mukden has become a centre of tobacco manufacture. The aggregate sales of cigarettes per year in Manchuria are estimated at over 7,600,000,000 pieces, the greater

percentage of which are said to be products of the British-American Tobacco Company and the To-a Tobacco Company.

It should be noted that Manchuria exported, in 1930, tobacco leaf and cigarettes to the value of 1,829,000 taels, and imported leaf, cigarettes and cigars, to the value of 17,700,000 taels.

122 Fabric Industry

Coarse spinning and weaving of wild silk, cotton, and hemp was an old cottage industry. The modern fabric industry was first introduced in 1919 by a Japanese at Antung, where a wild silk spinning and weaving factory was established. This became later a branch of the Fuji Cotton Spinning Company, of Japan. About a hundred wild silk filatures are operated by Chinese on a small scale on the Antung-Mukden line and the main line south of Mukden; Antung, Hsiuyen, Huangfengcheng, Kaiping, Haicheng, and Liaoyang being centres of this industry. The total output per year is estimated at 92,760,000 kin (124,050,000 lbs.), valued at 46,540,000 yen.

Regarding the hemp industry, there are two factories. One is the Manchuria Hemp Manufacturing Company at Dairen, the other the Mukden Hemp Manufacturing Company at Mukden. Their main products are bags for packing soya beans, kaoliang, etc., and the annual output is about 4,000,000 bags. This, however, is only one-fifth of the total consumption, the gummy-bags imported numbering annually 20,000,000.

As to the cotton industry, a modern spinning mill was put up in 1921 by Chinese at Mukden, with 10,480 spindles, later increased to 25,000 spindles. Subsequently, three cotton mills were established in South Manchuria by Japanese—the Manchuria Cotton Spinning Company (31,360 spindles), at Liaoyang in 1923, a branch mill of the Nailkai Cotton Company, of Osaka (24,000 spindles), at Chinchow in 1924, and a branch mill of the Fukushima Cotton Spinning Company, also of Osaka (17,664 spindles), in a suburb of Dairen in 1925. There are more than 170 cotton mills on small scale in Manchuria, chiefly run by the Chinese. The total output of cotton goods and yarn per year was valued at 10,000,000 yen in 1930, but this was less than one-eighth of the total imports.

In Manchuria and Mongolia, there are abundant supplies of wool and camel hair—practically all being exported through Tientsin. No local woolen industry existed until the Manchuria-Mongolia Wool-Weaving Company was organized in December, 1918, at Mukden, with a capital of 10,000,000 yen—a Sino-Japanese joint undertaking. This mill unfortunately was damaged by fire in June, 1924. Its capital was reduced to 3,000,000 yen, and its activities a great deal checked. During 1930, however, 108,000 yards of woolen cloth, 72,000 yards of blankets, and 54,000 lbs. of woolen yarn were produced. It is of

interest to note that Manchuria imported foreign woolen goods and wool and cotton mixed goods to the value of 6,192,000 taels in 1930.

123 Ceramic Industry

Activities in civil engineering and building construction, with the development of railway construction and other undertakings in Manchuria after the Russo-Japanese war, stimulated an ever-increasing demand for cement, brick, glass, and other such commodities. The abundant presence of limestone and clay, material necessary for cement manufacture, induced the Onoda Cement Company, of Japan, to establish a branch factory in Choushuitzu, a suburb of Dairen, in July, 1911. The output was 149,000 casks in 1910, and this increased to over 1,500,000 casks in 1929. The Dairen Dolomite Cement Factory manufactures the better quality of cement, similar to the Portland brand. There are several factories manufacturing lime in Penhsihu, Dairen, and Chinchow, the annual production amounting to over 100,000 tons.

In brick-making the Chinese make gray brick of unchangeable design. The modern brick kiln was introduced by Japanese, and a number of kilns were established during the war-time boom at Dairen, Antung, Mukden, Fushun, Newchwang, etc. Although the activity in this trade was checked by the post-war depression, as in other industries, there are more than 46 factories, including small concerns, and the output was valued at over 1,500,000 yen in 1930.

Siliceous stone and limestone suitable for the manufacture of glass are abundant in South Manchuria. The Central Laboratory of Dairen has conducted elaborate tests in ceramic manufacture, establishing a special plant for the purpose. Tests proving satisfactory, the plant was handed over in 1918 to the newly-established Dairen Ceramic Factory, which manufactures soda glass, crystal and plate glass. Another factory manufacturing window glass was established in 1925 with a capital of 3,000,000 yen, as a joint undertaking of the Asahi Glass Company, of Japan, and the S. M. R., which uses the Lubbers cylinder process. The factory has a capacity of about 330,000 cases of sheet-glass a year.

XI CURRENCY AND BANKING

124 General Remarks

Probably there is in the world no country where the currency is in such a confused state as it is in China where are found more than a hundred different kinds of paper and metal money.

The central administration of the Chinese Republic has never been strong enough to establish a stable currency. So far as the circulation of money is concerned, most provinces in China proper are feudalistic, while those in Manchuria are more independent. The Central Government, regional military chiefs, the provincial governments, and private guilds or persons have each in the past constituted themselves an issuing authority. In addition, foreign currencies have prevailed at all the open ports. Moreover, some of the issues are on a copper basis, some on a silver basis, and others, again, on a gold basis. All issues have circulated indiscriminately side by side, with no fixed rate of exchange. More recently, the indiscriminate issue of inconvertible bank-notes under the authority of military leaders (tuchun) has but added to the currency confusion. In Mukden Province alone, the circulation of such paper as that popularly called the "Mukden Note," in the vernacular, "Fengtienpiao," was estimated in December, 1929, to reach the enormous total of 3,000,000,000 Chinese dollars. Its rate, at that time, was 6,000 against a hundred silver dollars. Although the issue of the Fengtienpiao was decreased in 1930, the rate fell to 11,800 in December in that year chiefly due to the depression in silver, so that a ten-dollar Mukden bill valued at less than ten cents in silver was hardly appreciated as a tip by the "boy" on the Chinese railway. Such a chronic state of monetary confusion is not only prejudicial to the economic welfare of the Chinese themselves but inimical to the interests of all peoples trading with China. As fully treated in the last Report, attempts to place the currency on a modern basis have been made more than nine separate times since 1890, the last effort being that of the "Kemmerer Reform Commission" in 1929. Most schemes in the past simply resulted in additional issues of new currency, since no effective steps were taken to withdraw the old ones.

The Government of new Manchuria State as a first step in currency reform, early decided to establish a Central Bank* with a paid-up capital of some 30,000,000 Chinese dollars in silver, superseding old note-issue banks maintained under the military regime of the Chang family.

* The head office of the contemplated Central Bank will be established at Changchun (New Capital), and branches and agents at Mukden, Kirin, Harbin, Tsitsihar and other important commercial towns. The different bank-notes indiscriminately issued and circulated all over Manchuria are to be redeemed gradually at certain fixed rates with the new bank-notes issued by the Central Bank.

125 Currency in Manchuria

The situation in Manchuria presents no exception to the general disorder characteristic of the currency as existing in China proper. Especially, an immense amount of paper money issued by the order of Chang Tso-lin and his successor, Chang Hsueh-liang, without adequate reserve, has flooded the market.

Each province has its own currency, or attaches a different value to other currency. No port or city in the same province has a currency exactly the same as that of its neighbour, Antung, Mukden, and Newchwang, each having a different currency. Harbin, Kirin, and Changchun, in Kirin Province, have their different currencies. The money circulating to-day in Manchuria is shown in the following table:

Native Currency	{	Coins	{ Copper Cash (Chihchien 制錢), Copper coin (Tungyuan 銅元) Silver coin (Yangchien 洋錢), Sycee (Yinting 銀錠)
		Notes	{ Government copper cash notes (Kuantieh 官帖) Copper coin notes (Tungyuanpiao 銅元票) Silver coin notes (Yangchienpiao 洋錢票) Mukden notes (Fengtienpiao 奉天票)
		Book Currency	Transfer tael
Foreign Currency	{	Coins	{ Japanese silver yen, Mexican dollar Japanese subsidiary coins
		Notes	{ Bank of Japan gold notes Bank of Chosen gold notes Yokohama Specie Bank silver notes

Of the native currencies in Manchuria, the hard money, particularly subsidiary or smaller silver coin of less fineness than the standard silver was issued in immense quantities for nearly ten years up to 1916. Since the latter year, when the price of silver rose owing to the European war, the issue of the smaller silver coins was decreased, and the note issue, nominally based on the silver coins, came into prominence. Although measures for removing the financial disturbance in Manchuria caused by chaotic currencies were introduced in 1917 with the co-operation of the Japanese Chamber of Commerce at Mukden, nothing could be carried into effect. Meanwhile, one civil war after another took place between North and South, and the note issue was accelerated year by year. The table in the following page gives an estimate of the varied currencies circulating in Manchuria at the end of December, 1930.

Name of Currency	Estimated amount in Circulation	Exchange Rate against 100 Silver Dollars	Value in Silver Dollars	Circulation Area
Mukden Notes.....	1,180,000,000 Yuan (Mukden Dollar)	6,000 Yuan	19,670,000	Mukden Province
Silver Dollar Notes.....	67,227,000 Yuan	100 Yuan	67,227,000	"
Harbin Tayan Notes ...	39,000,000 Yuan	140 Yuan	27,857,000	Harbin and C. E. R. Zone
Government Notes of Kirin Province.....	9,500,000,000 Tiao	23,000 Tiao	41,300,000	Kirin Province
Kirin Yungheng Tayan Notes.....	10,000,000 Yuan	145 Yuan	6,897,000	"
Government Notes of Amur Province.....	12,000,000,000 Tiao	20,000 Tiao	6,000,000	Amur Province
Amur Kuanghsin Tayan Notes.....	10,000,000 Yuan	140 Yuan	7,143,000	"
Sycee kept in Antung...	2,000,000 Taels	82 Taels	2,488,000	Antung
Transfer Account in Newchwang.....	15,000,000 Taels	210 Taels	7,143,000	Newchwang
Silver Dollars.....	1,000,000 Yuan	100 Yuan	1,000,000	Manchuria and Inner Mongolia
Small Silver Coins.....	5,000,000 Yuan	114 Yuan	4,386,000	Manchuria
Total.....			191,111,000	

126 Native Coinage

In the last Report reference was made to the history of the native coins—copper cash, copper coin, silver coin, and sycee (silver ingot in the shape of a shoe). These hard currencies have been on the decrease. The immigrant coolies from Shantung and Honan Provinces returned home with their earnings each year when their harvest work was over. During and after the European war, the exportation of hard currencies in consequence of the higher price of copper and silver abroad was naturally encouraged. Especially the copper cash, which was found inconvenient as money, to-day has practically disappeared. On the other hand, the Mukden Government and other provincial governments were always keen in making profit by debasing the currency. Instead of issuing the standard silver, Tayang-chien (大洋錢), one yuan (dollar) silver, the Government issued subsidiary Hsiaoyang-chien (小洋錢), a smaller silver coin of less fineness than the standard and copper coin called Tungyan (銅元). It was said that about 55,000,000 dollars of subsidiary silver coins had been minted in several years up to 1917 by the Three Eastern Provinces Governments against 16,000,000 dollars of the standard coin. The Mukden Government alone had issued 232,000,000 of the copper coins.

Indeed, the relationship of standard and subsidiary coinage originally intended for the different grades of silver coinage could hardly be maintained under such circumstances. Having its own quotation in the market, each gradually became an independent currency. The tayang-chien has circulated but little in Manchuria owing to the limited issue, having been driven out of circulation by the smaller coins. Those which circulate in Manchuria are mostly the hsiaoyang-chien, especially of the 2 chiao (20 cents) denomination; these are used mostly in Antung and Kwantung Leased Territory.

But the financial embarrassment of the Mukden Government and the world-wide appreciation in the price of silver and copper during and after the European war made it impossible further to issue even these small coins, and naturally prepared the way for the issue of more paper notes, nominally based on the hard coins, but actually without reserve. In recent years, these silver coins were immensely decreased, their circulation being estimated at only a few million dollars in 1930.

Regarding copper coins, large quantities were taken home each year by coolies from Shantung in the form of savings, and further, the tungyuan-piao (note) nominally based on this copper coin and issued by the Amur and Mukden Governments, resulted in reducing the supply of the coins in Manchuria to an extremely small amount. To-day they are used as small change.

The sycee is a silver ingot that passes as money by weight. It is often called "shoe" or "shoe silver" (沓銀), since it is moulded in the shape of a shoe. Modelling bar silver or coined silver into sycee is entrusted to a few reputable private concerns, called Loofang. Every shoe bears the firm name of the melter, with the particulars of weight and fineness stamped upon it with a die. Sycee disappeared from Newchwang many years ago, and Antung is now the only place in Manchuria keeping this "shoe silver," where it is kept to a limited amount.

127 Paper Currency

As alluded to in the chapter on Trade, so far as its external trade is concerned, Manchuria is primarily an export country, and it might be expected consequently that various forms of hard currency should remain in Manchuria. But they were gradually diminished or done away with, one by one, as stated in the preceding section. Paper currencies were not only gradually taking the place of the metal moneys, but overwhelming all currencies without the backing of substantial reserves. They flooded the market beyond control. This was particularly true on occasions when military authorities under the dictatorship of Chang Tso-lin and later of Chang Hsueh-liang penetrated within the Great Wall as they frequently did on their military campaigns.

Kirin and Amur Provinces first issued Government notes in 1898, the Kuantieh (官帖), based on copper cash, with the object of replacing the obnoxious private notes called Tiehtzu (帖子).

Cash and Copper Notes In their earlier days, they were readily converted into cash, and naturally maintained credit. As time went on, however, the financial disorders of these governments made conversion difficult and their value gradually declined. Yet, in the absence of better money, they circulated widely in these two provinces, but at a large discount.

There is another Government note in the Amur Province issued on the modern copper coin, and called Tungyuan-piao (銅元票), or copper

note. The Amur Government, possessing no mint, had this coin supplied by the Mukden and Kirin Governments. But not having a steady supply of the copper coinage, Amur Province started to issue copper notes, nominally based on the coins. The copper note was issued in enormous quantities, also, by the Mukden Government, and the value in circulation was estimated at about 90,000,000 yuan in 1929.

Silver notes are called Yangchien-piao (洋錢票). Notes issued on the Chinese silver dollar are called Tayang-piao (大洋票) and those to be

**Silver
Notes**

issued on smaller silver coins Hsiaoyang-piao (小洋票). The hsiaoyang-piao was not necessarily limited to the smaller denomination. For example, the 5 yuan (dollar) note, if the issue bank promises to pay bearer fifty ten-cent pieces, is called the hsiaoyang-piao, or smaller silver coin note. From the outset, tayang-piao based on the silver dollar could not be easily issued as there was not an adequate amount of silver dollar coins or other reserves. Government Banks and authorized banks in Manchuria issued more smaller silver coin notes, called Hsiaoyang-piao. This currency was originally a note convertible into small silver coins. But the wanton issue of the note by these banks in Mukden, especially by the (Government) Bank of the Three Eastern Provinces, Mukden, made their conversion into specie or coin impossible. The disorder resulted in financial disturbances in Manchuria, the interest of the Japanese communities being also seriously affected. To remedy this financial chaos, six great banks in Manchuria made an agreement which came into force in August, 1917. By this agreement, the tayang-chien, or Chinese silver dollar, was to be adopted as the standard; the issue of the hsiaoyang-chien (smaller silver note) was to be stopped, and those in circulation were to be changed for the new tayang-chien, with the exception of the small notes under 10 chiao; and the exchange ratio of hsiaoyang to tayang was to be 10 to 12. The issue banks enjoyed such little public credit that as soon as the new notes were on the market not only were the old hsiaoyang notes presented for exchange into tayang notes, but the new tayang note itself was presented for conversion into cash. The result was that the tayang note became as inconvertible as the hsiaoyang note.

The original aim of putting a stop to the indiscriminate note issue thus resulted in failure. On the contrary, other issues of inconvertible notes came in succession under other names, such as the Huitui-piao (匯兌票) or exchange note, which, together with the copper note issued by the Mukden Government, is popularly called the Mukden note.

The Mukden note was first issued in December, 1917, by the Bank of the Three Eastern Provinces, by order of the Mukden Government.

**Mukden
Note** The privilege was extended to the Bank of China and the Bank of Communications in 1919, each to the extent of 5,000,000 dollars, and later to the Frontier Territorial Bank. The use of this note being compulsory, it circulated extensively. It

became the common practice of the provincial governments to relieve their financial embarrassments simply by the issue of new notes through these official banks, little trouble being taken about the reserves to cover the issues. In the year 1922, when civil war broke out between the Peking and Mukden factions, the issue of these Mukden notes increased to 300,000,000 dollars. During the civil war between the North and South (1926-28), there were further issues, the total being estimated at from 800,000,000 to 1,300,000,000 dollars at the end of 1928. During the warfare that resulted from the Sino-Soviet dispute in 1929, the total issue of Mukden notes was estimated at over 3,000,000,000 dollars in November of that year. The notes were bank notes not backed by security, but dependent upon the credit of the military authorities at Mukden. Their value has steadily declined since 1918. It dropped to 167 dollars against 100 silver dollars in 1922; 600 in 1926; 1,390 in 1928, 6,000 in 1929 and 11,800 in 1930 (which means that the market value of the Mukden ten dollar note is less than ten cents in silver). This phenomenon brought disaster upon the Manchurian farmer. Owing to the complaints of the general public against the ever-falling value of the Fengtienpiao, these leading banks, May 17, 1929, set up a "joint treasury reserve" of silver, as the reserve for a convertible note issue. But this measure has done little towards remedying the situation of Fengtienpiao. Only the establishment of a Central Bank of the new Manchuria State would solve the problem of the disturbed currency system in Manchuria.

128 Foreign Currency

Mexican and Hongkong dollars circulated at Newchwang, as in Shanghai and Tientsin, after its opening to foreign trade in 1860. When the construction work of the Chinese Eastern Railway was commenced in 1897, Russian gold roubles circulated in the railway zone in Manchuria. In the same year, the Russo-Asiatic Bank established branch offices at Newchwang and Harbin, which financed the huge transactions in railway materials.

The Russian rouble note was once the most commonly used foreign currency in Manchuria. It circulated all over the three provinces, as freely in Newchwang, Port Arthur, Dairen, and Mukden, as in Harbin and the northern areas. During the Russo-Japanese war (1904-5), both belligerents issued enormous amounts of military notes. The Japanese military notes alone at one time went up to 150,000,000 yen, and the Russian issue was probably greater. But after the Russo-Japanese war, the sphere of circulation of the Russian roubles was limited to the North. Prior to the Great War in Europe, the total amount of Russian currency circulating in Manchuria was estimated at over sixty million roubles. After the outbreak of war in 1914, the ever-increasing issue of paper regardless of specie reserve caused the rouble note to become inconvertible, and

the situation was aggravated by the outbreak of the revolution in 1917 in European Russia, which was followed by political chaos in the Chinese Eastern Railway Zone. After the establishment in 1922 of the State Bank of Soviet Russia with the issue of a new gold rouble note named the "chervonetz," a branch of the Bank established in 1922 in Harbin tried to restore Russian credit in the C. E. R. zone. Subsequently, however, Russian influence being overshadowed by the vigorous policy of Chiang Tsolin, Chinese paper currency, and to a certain extent Japanese currency, penetrated the Railway Zone of the C. E. R.; the chervonetz fell off, and its circulation was limited to the Russian community in Harbin.

129 Japanese Currency

Japanese currency circulating to-day in Manchuria, particularly in the Railway Zone and the Lensed Territory, consists of auxiliary coins and silver yen minted in Japan, and notes issued by the Bank of Japan, the Bank of Cho-sen, and the Yokohama Specie Bank.

When the Manchurian trade of Japan, particularly the purchase of soya beans, was growing, the Yokohama Specie Bank opened a branch office at Newchwang in January, 1900, and commenced business in exchange. Following the practice of other foreign banks in the open ports of China, this office of the Yokohama Specie Bank, in 1903, began to issue silver notes payable at sight in the Japanese silver yen. One year after the conclusion of the Russo-Japanese war, the Japanese Government gave orders to the bank to redeem the military notes issued during the war, and, in consideration thereof, granted the bank the privilege of issuing notes in Manchuria.

This bank-note is of four denominations, of 1, 5, 10, and 100 yen, all payable in Japanese silver yen, and called by the Chinese pin-miao (silver note), or chiao-piao (票). The note must be issued only by the branch office of the Bank in Dairen, and is payable only at this branch. This practice still continues. The note-issue progressed favourably for the first several years, and amounted to over 7,000,000 yen at the end of the year 1911. But the fluctuation in the price of silver was so acute that the Kwangtung Government had to adopt in 1908 the unit of the gold yen in the valuation of its revenue and the South Manchuria Railway in payment of wages, especially for the Japanese employees. In the meantime, the Japanese population gradually increased in the Lensed Territory of the Kwangtung Peninsula and in the Railway Zone, where the Japanese gold notes issued by the Bank of Japan and the auxiliary currency naturally circulated. In 1913, the Yokohama Specie Bank was finally authorized by an Imperial Ordinance to issue notes on gold coins or notes of the Bank of Japan. For this reason the circulation of the Yokohama Specie Bank silver notes steadily declined, until

at the close of the year 1915 the amount of those in circulation was but 2,257,000 yen. The gold note issue of this bank was continued until 1917, when this privilege was transferred exclusively to the Bank of Cho-sen. By discontinuing the issue of gold notes, the note issue on silver by this Bank did not increase. On the contrary, the note based on silver became more and more difficult owing to the rise in price of silver. Moreover, the Japanese and other foreign dealers in Manchurian beans preferring the gold unit in their transactions, the Produce Exchange of Dairen adopted the gold unit account in 1921. This movement also affected the silver notes issued by the bank, which fell off to 1,037,000 at the end of 1922. Meanwhile the acute fluctuation in the price of silver stopped, and the Produce Exchange of Dairen readopted (in 1923) the silver unit for account settlements. Since this date, the note issue of the Yokohama Specie Bank has been on the increase.

The following table shows the movement in value of the Yokohama Specie Bank silver note issue for the last twenty-four years:

Year	Amount	Year	Amount
1907.....	4,905,000	1919.....	2,938,000
1908.....	3,999,000	1920.....	1,771,000
1909.....	2,856,000	1921.....	1,037,000
1910.....	3,604,000	1922.....	1,231,000
1911.....	7,198,000	1923.....	1,484,000
1912.....	3,439,000	1924.....	1,496,000
1913.....	4,049,000	1925.....	3,088,000
1914.....	2,984,000	1926.....	3,305,000
1915.....	2,257,000	1927.....	5,460,000
1916.....	4,121,000	1928.....	9,863,000
1917.....	3,074,000	1929.....	5,971,000
1918.....	2,366,000	1930.....	5,218,000

The bank-note issued by the Bank of Cho-sen is practically the same as the gold yen note issued by the Bank of Japan, since it is based on gold coins, bullion, or the Bank of Japan notes. It was originally legal tender in the Peninsula of Cho-sen (Korea) only, but the extension of trade in Antung and in the Manchurian frontier districts resulted in its extended use beyond the Korean border; and with the completion in 1911 of the Antung-Mukden Railway, which connects with the Korean Railway, trade between Korea and Manchuria steadily increased, and the gold notes of the Bank of Cho-sen were found circulating all along the new railway in 1913. The establishment of branches by the bank at Mukden, Dairen, Changchun, Ssuping kai, Kaiyuan, Harbin and Newchwang — important railway centres — widened the sphere of circulation of the note. In June, 1916, the Bank began issuing fractional notes to serve as money subsidiary to its standard note. The Government of Japan felt the advisability of unifying the gold notes issued by the two banks in Manchuria — the Yokohama Specie Bank and the Bank of Cho-sen — and it was finally decided in December, 1917, by Imperial Ordinances Nos. 217 and 218, that the bank-note issued by the

Bank of Cho-sen should be the sole legal tender in the Leased Territory of Kwantung Province and the South Manchuria Railway Zone. Simultaneously the Yokohama Specie Bank gold-notes amounting to 4,538,340 yen were transferred to the Bank of Cho-sen to be withdrawn as speedily as possible in favour of the notes of the latter. The amount of the notes issue of the Bank of Cho-sen and the amount of the notes in circulation in Manchuria estimated at the end of each year up to 1930 are shown in the following table:

Year	Amount of Issue	Estimated Amount in Circulation in Manchuria
1917.....	67,364,000	—
1918.....	115,523,000	19,089,000
1919.....	163,600,000	37,066,000
1920.....	114,034,000	42,342,000
1921.....	134,360,000	46,775,000
1922.....	100,544,000	34,251,000
1923.....	110,233,000	39,174,000
1924.....	129,113,000	45,190,000
1925.....	120,540,000	42,190,000
1926.....	110,939,000	33,829,000
1927.....	124,527,000	43,584,000
1928.....	132,444,000	46,355,000
1929.....	118,701,000	41,545,000
1930.....	90,615,000	31,625,000

There is no means of ascertaining exactly the proportion of notes issued by the Bank of Cho-sen in circulation in Manchuria, owing to the constant movement of money to and from Cho-sen, but the above estimate is the result of careful calculation. The falling-off in the figures in 1930 is due to the abolition of the gold embargo in Japan and the business depression in Manchuria.

130 Banking Institutions

Prior to the Sino-Japanese war (1894-5), there was no banking institution in the modern sense in Manchuria. There were native exchange shops: Piao-chuang (票莊), Chien-chuang (錢莊), Yinlu (銀樓), and Chienpu (錢舖), as well as Tangpu (當舖) or pawnshops.

These exchange shops, though principally conducting local business by exchanging the different currencies, often received deposits and made loans. The yinlu originally participated in minting coins, and later limited their activities to a sort of ordinary banking exchange business, granting loans, and receiving deposits. The piao-chuang at one time extensively engaged in the exchange of bills and notes especially among the Shanghai people, but to-day this is practically done away with because of the development of modern banking institutions in Manchuria. The tangpu is the pawnshop, which is an important monetary organ, especially for the coolie class. There is another shop called Liangchan (糧棧), conducting warehousing and brokerage business in grains; these shops also render financial service to farmers.

The Russo-Chinese Bank, established in 1895 prior to the construction of the Chinese Eastern Railway, was the first foreign banking institution in Manchuria. The Yokohama Specie Bank, of Japan, commenced an exchange business at Newchwang in 1900. The modern Chinese bank was not established until the period of the Russo-Japanese war (1904-5).

131 Chinese Banks

As provincial government institutions, there are four banks in Manchuria. The present Three Eastern Provinces Government Bank (東三省官銀號), the Government institution at Mukden, was established in 1909 by amalgamation with the original Mukden Government Bank which was created in 1905. This bank absorbed in 1924 the Mukden Industrial Bank and increased its capital to 20,000,000 Mukden dollars. The bank has branches in the principal towns along the South Manchuria Railway, the Chinese Eastern Railway, and Chinese Railways in Manchuria. The bank acts as a central bank for Mukden Province and is authorized to issue the famous Mukden note and Harbin note, the issue of which to-day has reached enormous amounts. Beside issuing notes and doing an ordinary banking business, including exchange, the bank conducts the purchase of Manchurian beans, and manufactures fibres, flour, bean-oil, etc. The Frontier Bank (邊業銀行) was originally established at Tientsin in 1924 by Chang Tso-lin, but was transferred to Mukden in 1928, when Chang retreated from Peking and Tientsin. Its authorized capital is 20,000,000 Mukden dollars, and principal shareholder Marshal Chang Hsueh-liang. The bank not only acts as the treasury of the Mukden Government, but issues Mukden and Harbin notes together with the Three Eastern Provinces Bank. This bank also engages in the ordinary banking business and deals in Manchurian beans. Generally speaking, the bank acts as a Government bank side by side with the Three Eastern Provinces Government Bank.

The Kirin Yungheng Government Bank (吉林永衡官銀錢號) was established at Kirin in 1909 with the authorized capital of 10,000,000 Chinese dollars, it being an amalgamation of the Minting Bureau and Note Issue Bureau of Kirin Province. Being the central bank of Kirin Province, the bank acts as the public treasury and issues notes. In Amur Province, there were formerly two banks: Kuanghsin Kungssu, established in 1904 with a capital of 512,000 taels, and the Amur Government Bank, established in 1908 with the capital of 300,000 taels. These banks were amalgamated in 1919 under the name of the Amur Province Kuanghsin Kungssu (黑龍江省廣信公司) with increased capital amounting to 1,000,000 taels. The notes issued by this bank reached 10,000,000 Chinese dollars at the end of 1929.

The Bank of China and the Bank of Communications established

branches in Manchuria, and have issued notes under authority in Manchuria to a limited extent since 1907. In addition to the above mentioned, more than twenty banks were established in Manchuria and Inner Mongolia during the period 1914-29, and still others were contemplated. Most of the Chinese banks in Manchuria, acting as the agents of the military authorities of the Chang family, and issuing notes indiscriminately, were in a bankrupt condition. The new Manchuria State is now contemplating to establish a "Central Bank of Manchuria" which would concentrate all notes issued on the silver basis. Notes indiscriminately issued by the banks in Manchuria, except those issued by the branches of the Central and Communications Banks, both of China proper, will be exchanged for the new notes issued by the Central Bank of Manchuria at a certain fixed rate.

132 Japanese Banks

Besides the branches of the Bank of Cho-sen and the Yokohama Specie Bank in Manchuria, details of which have already been given, there are 15 other Japanese banks in the Leased Territory and in the principal towns along the South Manchuria Railway, and at Kirin and Harbin. The authorized capital of these banks aggregated 33,975,000 yen, of which 14,431,000 was paid up, at the end of 1930.

Most of the Japanese banks receive deposits and make loans both on gold and silver yen account. The following table shows the amount of deposits and loans of these banks (including the Bank of Cho-sen and the Yokohama Specie Bank) since 1918:

Year	Deposits		Loans	
	Gold Account Yen	Silver Account Yen	Gold Account Yen	Silver Account Yen
1918	75,076,000	4,523,000	136,351,000	20,979,000
1919	125,479,000	11,463,000	237,380,000	21,785,000
1920	92,176,000	5,667,000	199,665,000	6,772,000
1921	106,977,000	10,135,000	267,535,000	17,399,000
1922	110,114,000	11,124,000	279,819,000	9,566,000
1923	97,481,000	13,237,000	273,588,000	11,886,000
1924	107,314,000	9,829,000	267,966,000	11,249,000
1925	132,041,000	28,479,000	282,252,000	14,416,000
1926	120,425,000	19,922,000	259,087,000	13,957,000
1927	144,262,000	16,557,000	238,814,000	11,569,000
1928	145,950,000	16,749,000	196,226,000	12,633,000
1929	142,311,000	20,749,000	206,241,000	15,319,000
1930	123,768,000	15,692,000	176,774,000	13,531,000

The decrease in the amounts of both deposits and loans in 1930 is due to the world-wide business depression and the depreciation of silver.

133 Other Foreign Banks

The Russo-Chinese Bank, established in St. Petersburg in December, 1895, with an initial capital of 6,000,000 gold roubles derived from French sources, was possibly the first banking institution in Manchuria,

especially financing the construction of the Chinese Eastern Railway and other Russian activities in Manchuria. To the capital of the Bank the Chinese Government was said nominally to have contributed 5,000,000 Kuping taels, in order to participate in the profits of the enterprise. The name of the bank was changed in 1910 to "Russo-Asiatic Bank." At one time, it conducted an extensive business, especially in North Manchuria. As a result of the Bolshevik revolution, however, there was much negotiation between China, France and Russia regarding the nationality of the bank, and France finally took it over, in 1920, when it was reorganized in Paris. But after the Revolution its activities were much reduced, and the bank to-day exists only in name.

The Dalbank was established in Harbin in 1923 by the Soviet Union, and acted as agent for the accounting administration of the Chinese Eastern Railway. On August 10, 1927, it was arranged that the receipts of the railway should be deposited in equal proportions in the Three Eastern Provinces Bank at Mukden and the Dalbank. When the Sino-Soviet dispute took place in 1929, the Dalbank closed its office, in September, and reopened business when the dispute was settled.

The Hongkong & Shanghai Banking Corporation, of British registry, gradually penetrated the financial field in Manchuria as the business of the Russo-Asiatic Bank declined. The British bank, with its established credit, is playing an important part in the foreign exchange business in Manchuria. It has branches at Dairen, Harbin and Mukden. The Chartered Bank of India, Australia & China, of London, opened branches in Dairen and Harbin in 1928.

The National City Bank of New York has opened branches at Dairen, Harbin and Mukden. In April, 1930, the bank opened an office in the branch of the Bank of China at Kaiyuan, where short-term loans on the security of real estate and personal property are granted. The bank is said to have a special arrangement with the Dalbank for conducting business in North Manchuria.

XII EDUCATION

134 Education in Manchuria

It is said that there was no real public school system in Manchuria, nor any institution providing modern education except the schools maintained by foreign missionaries, until the Russian system of education was introduced into North Manchuria along the Chinese Eastern Railway zone and schools established by the Japanese in South Manchuria.

For many years, the village or town literati gave lessons to boys in the writing and reading of Chinese characters and in domestic etiquette, this kind of school being known as Shuyuan (書院), or Shufang (書房). The higher education was limited to the few persons preparing for the most exacting civil service examination, called Kochu (科舉). A peculiarity of the old Manchu system was the privilege of the military caste to receive the form of instruction called the "Eight Banner Military Learning" (八旗義學). This was given to young men of the military caste of the Eight Banners, of Manchurian origin. In the very beginning of the 20th century, stimulated by Western civilization, the Chinese began to improve the educational system. Soon after the Boxer trouble, a Government University was established in Peking. On November 26, 1903, regulations governing the new school system, chiefly modelled after the Japanese school system, were promulgated. Subsequently, the old-fashioned civil service examination which had existed for more than a thousand years, since the Tang Dynasty, was abolished. More comprehensive school regulations were promulgated in the first year of the Republican régime, 1911. In November of that year, the Mukden Government issued regulations under which a modern school system was to be gradually evolved.

The Republic of China reformed the educational system again in 1922, influenced by the American system. The National Government at Nanking, however, adopting the educational programme in accord with the doctrine embodied in the so-called Three Principles, "Sun Min Chui" (三民主義) of the late Kuomintang leader, Dr. Sun Yat-sen, inspired nationalism and patriotism through the medium of school teaching. Emphasizing the new slogan, "Recovery of national rights," they went to the extreme, instilling radicalism and anti-foreignism into the minds of the younger generation. Numerous text-books compiled with the idea of encouraging anti-foreign spirit, particularly aiming at Japan, were in use in schools of primary and secondary grades.

Soon after Marshal Chang Hsueh-liang's accession to power, these text-books were introduced to the schools in Manchuria and subsequently penetrated even into the South Manchuria Railway Zone. As stated in the last Report, unless the Chinese authorities alter their

attitude and abolish such a process of instilling harmful anti-foreign sentiment in the susceptible minds of the younger generation, not only international peace but China's own welfare will be threatened.

The new Manchuria State, however, clearly outlined principles of education to be observed in its declaration of independence, stating that the fundamental principles of education shall be Li Chiao (禮教) or Confucianism. It is hoped that in contrast to the radicalism and anti-foreignism of the schools in China proper the Manchuria State will establish progressive and liberal schools in conformity with its lofty ideals of international justice and friendship.

To-day, the Japanese are spending about 8,000,000 yen per year on the educational service in South Manchuria; the Chinese Eastern Railway under Chinese and Russian management defrays about 2,400,000 roubles for educational work in the North; and the Mukden, Kirin, and Amur provincial governments are said to have spent about 6,100,000 Chinese dollars on educational work. Besides the educational services maintained by the Chinese, Japanese, and Russians, it should be mentioned that Irish, Scotch, French, and Danish missionaries for many years participated in educational and medical work in Manchuria.

135 Japanese Educational Service

The educational system maintained in Manchuria by the Japanese, though fundamentally similar to that of Japan proper, is modified so as to meet the conditions peculiar to Manchuria. Schools of the elementary and high school grades are provided separately for Chinese and Japanese, while co-education for Chinese and Japanese is maintained in the higher professional schools of university grade.

Public schools (公學堂) of elementary grade and middle schools (中學堂) of high school grade were established and are maintained by the Kwantung Government in the Leased Territory and by the South Manchuria Railway Company in the Railway Zone.

The first public school for Chinese in the Leased Territory was that established as early as 1904, in Chinchou, when the area was under military occupation. The first elementary school in the Railway Zone was established in Kaiping in 1909. They were gradually increased in this region, so that to-day they number twenty-two, and the pupils 10,751, as shown in the table below:

	March 31, 1931			
	No. of Schools	No. of Instructors	No. of Students	Running Expenses
Public Schools in Leased Territory	11	234	8,067	¥441,481
Public Schools in Railway Zone	11	98	2,684	182,898
Total	22	332	10,751	624,379

Instruction is given in the Japanese and Chinese languages, and includes moral teaching, arithmetic, simple physics, and manual training.

Besides these schools, schools of lower grade called common public schools (普通學堂) are maintained by the village communities in the Leased Territory. They were 110 in number, with 529 teachers and pupils aggregating 22,698 as existing on March 31, 1931. Their annual expenditure aggregated 381,197 yen.

With regard to middle school education for Chinese, a school was established at Mukden in 1917 by the South Manchuria Railway Company, and another at Port Arthur in 1924 by the Kwantung Government. At these institutions are taught the Japanese, Chinese and English languages, history, geography, mathematics, natural history, drawing, physics, chemistry, and manual training. The staffs of these schools, the number of students, and maintenance expenses are shown in the table below:

	March 31, 1931		
	Teachers	Students	Expenses
Port Arthur Middle School	15	200	63,397
South Manchuria Middle School	22	309	92,595
Total	37	509	155,992

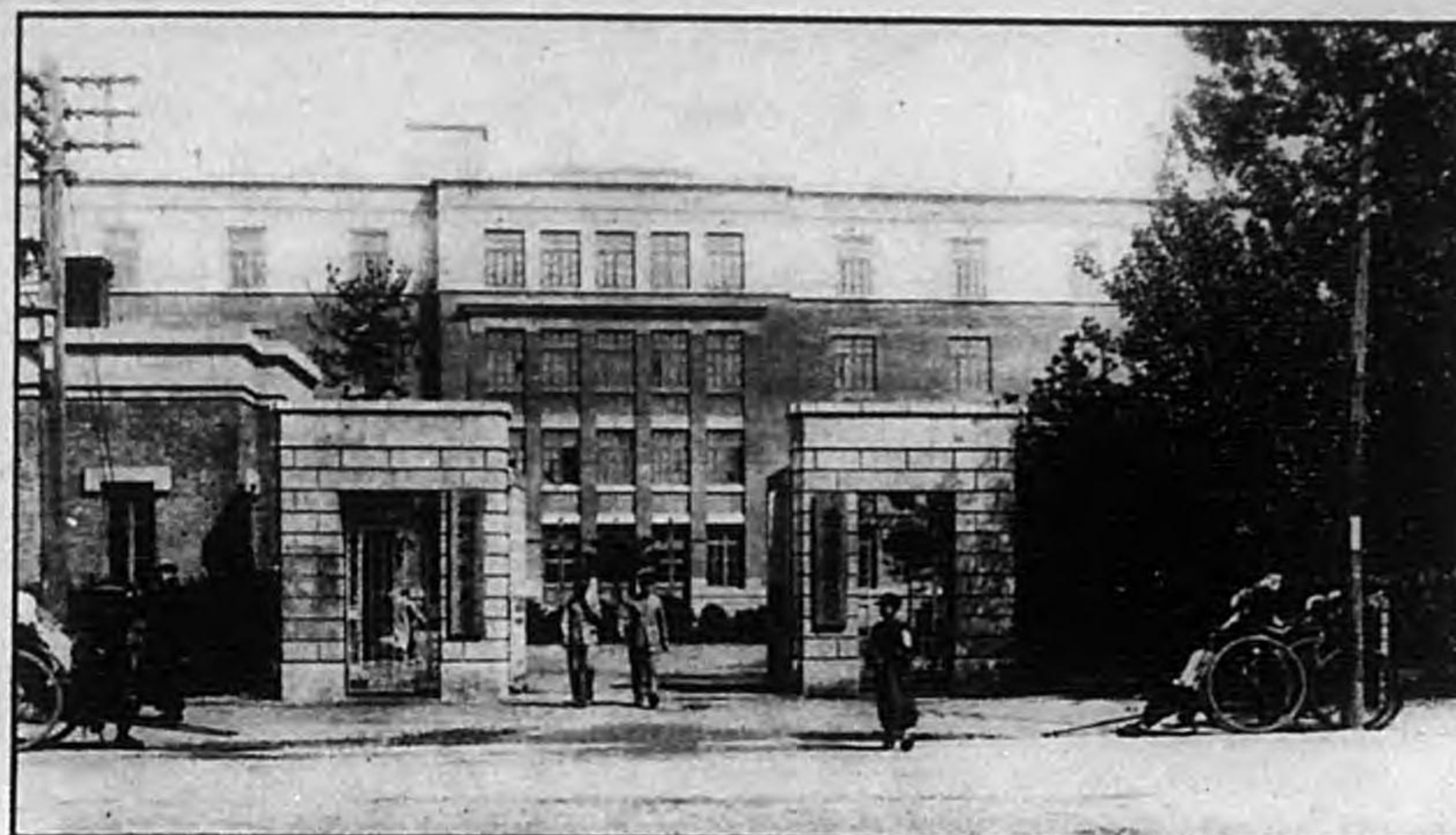
The Kwantung Government and the South Manchuria Railway Company have paid as much attention to the encouragement of industrial education for Chinese boys as to elementary education. The industrial schools, giving necessary instruction to native boys wishing to engage in agriculture, commerce, or mining, according to the local requirements, may be classified as agricultural, commercial, and mining schools. Commercial schools were established in the commercial centres, such as Dairen, Liaoyang, and Yingkou (Newchwang); agricultural schools in the agricultural centres, Hsiungyaocheng and Kungchuling; and a mining school in the mining town of Fushun.

Further details of these schools are given in the following table:

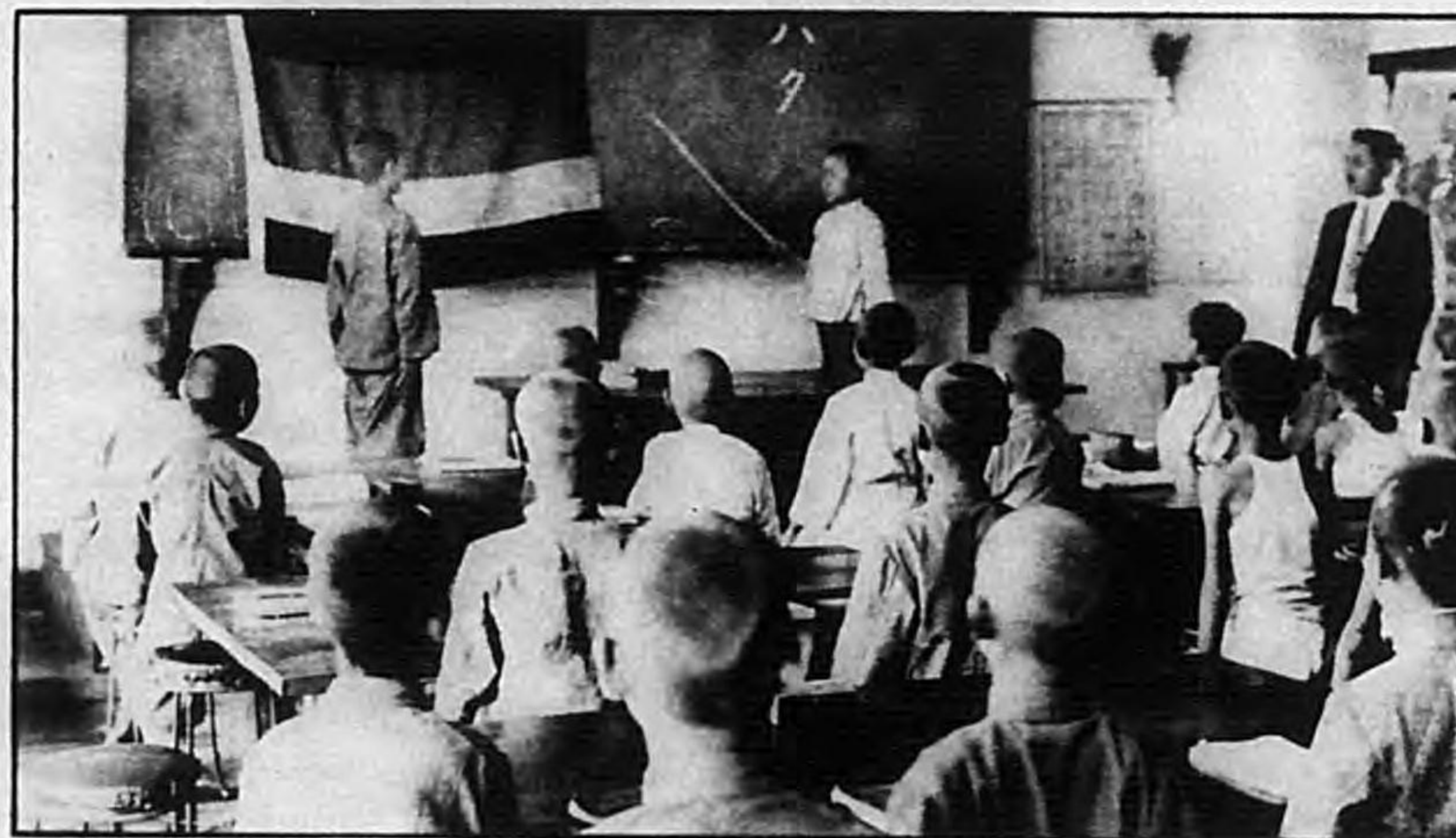
	Maintained by	Teachers	Students	Expenses
Dairen Commercial School	Kwantung Government	5	72	15,897
Chinchow Agricultural School			85	
Liaoyang Commercial School	S. M. R.	7	20	22,991
Yingkou Commercial School	"	6	29	47,547
Kungchuling Agricultural School...	"	8	13	24,233
Total		26	219	110,668

In order to provide a sound teaching force for native elementary schools, a normal school (師範學堂) was established at Port Arthur by the Kwantung Government.

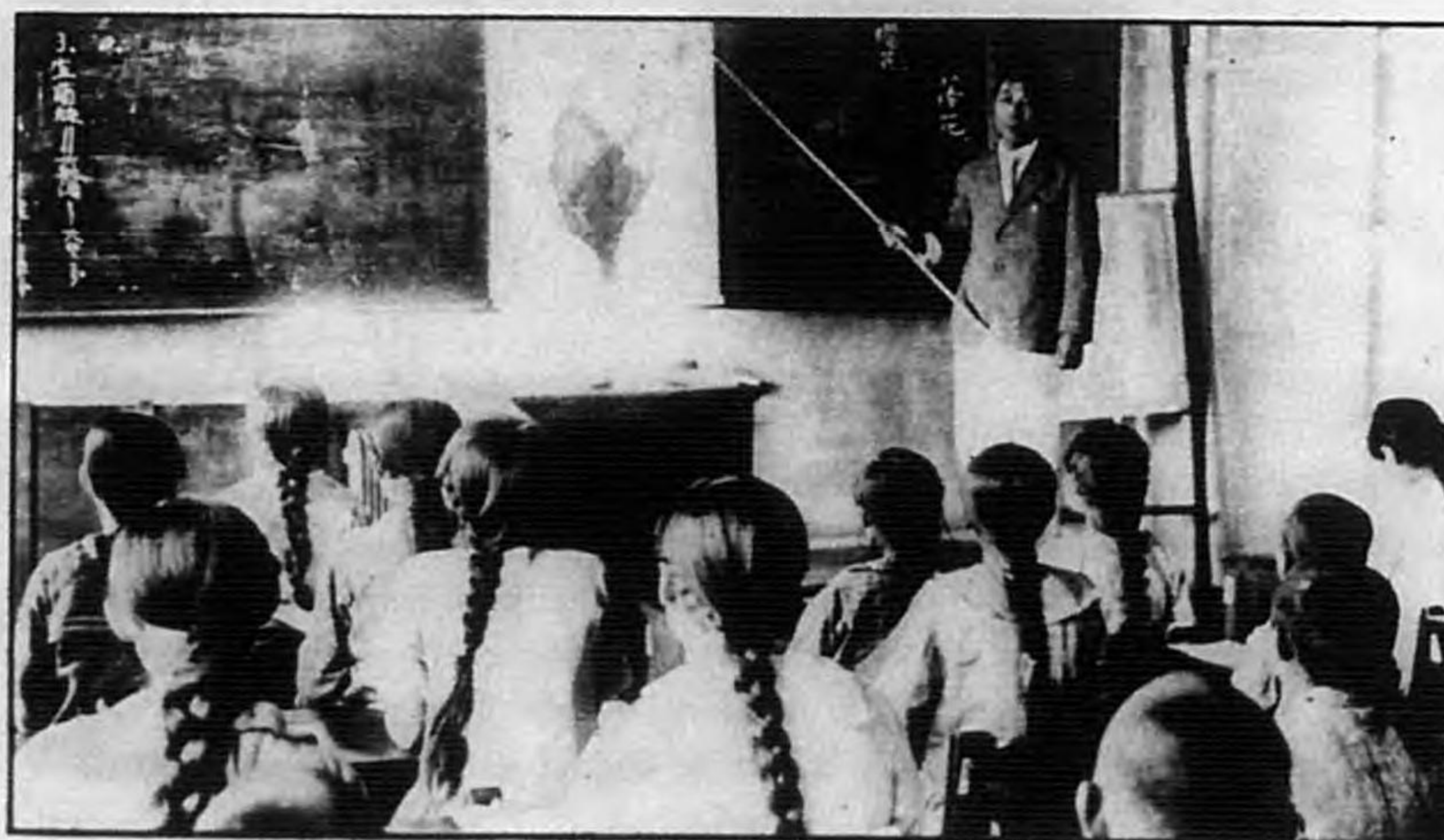
To train Chinese teachers, a normal school course originally was attached to the middle school at Port Arthur. It became an independent normal school in 1918. Graduates of the higher grade of the public schools are eligible as students. There are 36 instructors



Medical College for Chinese, Maintained by S. M. R.



Boys' Public School, Maintained by S. M. R. at Changchun



Girls' Public School, Maintained by S. M. R. at Changchun

and 184 students. The annual maintenance expense of this school amounts to 164,310 yen.

As Japanese residents steadily increased after the Russo-Japanese war, the Kwantung Government first established two elementary schools for Japanese children as early as 1906, one at Port Arthur and the other at Dairen. In the following year, the South Manchuria Railway Company established similar schools in Liaoyang and Fushun. As the Japanese population increased, the schools increased to 52 in number, with 29,597 pupils, as they existed at the end of March, 1931. The curricula of these schools, though similar to the schools in Japan proper, include the Chinese language, and a course of elementary industry in order to fit pupils to the local conditions existing in Manchuria. In addition, there are Japanese elementary schools in Chinchou, Hsinmintun, Chientao, Manchuli, Hunchun, and Tuerhkou.

Regarding high-school education, the necessity of establishing middle schools for the benefit of public school graduates was soon felt. A middle school was first established at Port Arthur in 1909 by the Kwantung Government. Several years later, two middle schools were established in Dairen. Since 1919, four middle schools have been established in the Railway Zone by the South Manchuria Railway Company, one each at Mukden, Anshan, Fushun, and Antung. Subsequently seven girls' high schools were established—at Port Arthur, Dairen, Mukden, Antung, Fushun, and Changchun. The standing of these Japanese middle schools and girls' high schools to-day is practically as advanced as those in Japan proper.

The following table shows the general features of public schools, middle schools, and girls' high schools in the Leased Territory and the Railway Zone:

						March 31, 1931
	Location	School	Teachers	Students	Expenses	
Public Schools	Leased Territory.....	21	437	14,786	1,097,194	
	Railway Zone	31	464	14,811	1,126,746	
	Total	52	901	29,597	2,223,940	
Middle Schools	Leased Territory.....	3	108	2,239	400,320	
	Railway Zone	4	93	1,622	332,001	
	Total	7	201	3,861	732,321	
Girls' High Schools	Leased Territory.....	3	90	2,127	336,119	
	Railway Zone	4	85	1,476	293,839	
	Total	7	175	3,603	629,958	

As to commercial training for Japanese, a commercial school was established at Dairen in 1910 by the Oriental Association, of Tokyo, while another was established at Changchun in 1920 by the South Manchuria Railway Company. In their curricula, which are practically the same as those of similar schools in Japan, the teaching of the Chinese and Russian languages is much emphasized. The following

table shows the number of instructors and students and running expenses of these schools:

	Founder	Teachers	Students	Expenses
Dairen Commercial School.....	Oriental Association	33	984	129,370
Dairen Girls' " "	" "	13	209	31,030
Changchun Commercial School...	S. M. R.	23	379	91,735
Dairen Commercial & Industrial School	Dairen Municipality	22	237	40,348
Total		91	1,809	292,483

For advanced education in the professions, the higher professional school system of Japan has been introduced to South Manchuria. There are three colleges, the South Manchuria Technical College, the Manchuria Normal College, and the Russo-Japanese Association's College. The Technical College was established by the South Manchuria Railway Company at Dairen, and consists of two departments: Constructive and Mechanical Engineering. The former is divided into four sections: Architectural, Civil Engineering, Mining, and Agricultural Engineering, the latter being divided into four sub-sections: Electricity, Machine-Making, Railway Machinery and Mining Machinery.

In order to foster skilled labour, an elementary training course is attached to this college. The Normal College, established in 1924 at Mukden by the South Manchuria Railway Company, has two Departments: Literature and Science. The Russo-Japanese Association's College was established in 1920 at Harbin by the Russo-Japanese Association, of Tokyo. The staffs, etc. and these institutions are:

		Instructors	Students	Expenses
South Manchuria Technical College	Dairen	52	225	197,720
Manchuria Normal College	Mukden	26	95	123,184
Russo-Japanese Association's College	Harbin	20	90	140,700

Chinese and Japanese graduating from the middle schools, desiring advanced work in science and professional training, usually had to go to Japan or other countries. In order to give every possible advantage to these young men, the Kwantung Government first established in 1910 a technical college at Port Arthur, and the South Manchuria Railway Company founded a medical college at Mukden in 1911. In order to meet the trend of the times, especially after the great European war, these colleges were advanced to university grade, providing a three-year course, to which was added a three-year preparatory course. For Chinese students, a year's course in the Japanese language is provided before their entrance to the preparatory course. The medical university at Mukden will be treated more fully in the section on Medical Education in the following chapter dealing with Sanitation. The Technical University maintains three departments, i.e., Mechanical Engineering, Electrical Engineering, and Mining and Metallurgy.

The table below shows the numbers of the faculties and students at these universities and running expenses as they existed at the end of March, 1931:

	Professors	Studies	Students	Expenses
Technical University.....	100	{ University Course 157 Preparatory Course 200 }	357	Yen 628,621
Medical University	111	{ University Course 263 College Course 112 Preparatory Course 265 }	640	„ 870,771

Korean migration into Manchuria has a long history. Since the Sino-Japanese war, and especially after the Russo-Japanese war, immigration has been on the increase particularly in the Chientao districts, and in the suburbs of Harbin, Changchun, Kirin, Mukden, and Antung. The Korean population in Manchuria is estimated as between 750,000 and 1,000,000, and most of the settlers are engaged in rice and millet cultivation.

In the education of Korean children in the Railway Zone, the South Manchuria Railway Company is also participating. There are twelve common schools and a supplementary school for Korean children with 2,550 pupils, as they existed at the end of March, 1931. Some of these schools were built and are maintained by the Company, and others by its help. The Government-General of Korea also extends pecuniary assistance in the Chientao districts. In the fiscal year ending March 31, 1931, 113,234 yen were allocated in this way by the South Manchuria Railway Company, and 21,196 yen by the Government-General of Cho-sen. In addition, there are about 610 Korean common schools maintained outside the Railway Zone by the Korean village communities or associations. The home Government at Seoul, the Government-General, affords pecuniary assistance if such be applied for.

The following table shows the distribution of Korean schools in Manchuria:

	Schools	Pupils
S. M. R. Zone	12	2,550
Harbin	17	479
Tsitsihar	4	166
Changchun.....	2	261
Kirin Districts	36	1,318
Teichiatus	4	162
Tiehling Districts.....	10	373
Mukden	22	1,106
Hsinmintun Districts	2	163
Liaoyang	2	55
Newchwang	1	40
Antung	78	2,129
Chientao Districts	426	21,644
Total	616	30,550

136 Chinese Educational Service

Concerning modern education in Manchuria, the Mukden, Kirin, and Amur provincial governments are endeavouring to improve their systems. The Mukden Government promulgated in December, 1922, summarized regulations of the educational system, in which the first article declares that the fundamental object of education should be moral teaching and industrial training. The second article provides the school system—public school, middle school, and university, besides the normal school and professional college. One or more public schools must be established in each prefecture, district, and village. There are a number of modern schools to-day. The middle school of primary grade must be maintained by the prefecture, and the higher grade of this school by the province.

Seven middle schools of higher grade have been established, and there are 7,800 students. Six normal schools have a total of students estimated at about 4,000. There are schools of higher education, i. e., the Chinese Literature College, the Technical College, and the North-Eastern University. Of these, the latter is the most important. It was established in April, 1923, at Mukden, at the cost of 2,800,000 dollars, when Mr. Wang Yung-chiang was the Governor of Mukden Province. The Governor himself was the first president of the institution. The University has five Departments—Literature, Pure Science, Civil and Mechanical Engineering, and Law. The course of study is between three and four years, and graduates of the higher grade of middle school are eligible as students. There were 1,868 students in the above courses, according to returns for 1929. The university was originally established by the co-operation of the Mukden and Amur Governments, but the running expenses, amounting to about 400,000 Chinese dollars per year, are said to be defrayed chiefly by the Mukden Government. Kirin University was established in 1929, and 1,520,000 Chinese dollars was to be appropriated for the necessary expenses.

In recent years, the Chinese educational service in Manchuria is said to have adopted the educational programme formulated by the National Government at Nanking in order to be in accord with the doctrines embodied in the so-called Three Principles (三民主義) of the late Kuomintang leader, Sun Yat-sen. But the new Manchuria State has already declared that the fundamental principle of its education shall be in accord with Li Chiao, Confucianism, which is opposed to radicalism.

The number of schools and students in the Mukden and Kirin Provinces is shown in the tables on the following page, as they existed in 1929.

Schools in Mukden Province	Number of Schools			Number of Students
	Maintained by Province	Maintained by Prefecture & Private	Total	
Kindergarten	1	13	14	603
Primary School {	Lower Class	—	9,147	471,865
	Higher "	—	456	31,795
	Lower & Higher "	18	475	101,670
	Others	—	19	1,139
Middle School {	Lower Class	5	94	16,071
	Higher "	—	5	423
	Lower & Higher "	13	5	5,659
Normal School	8	90	98	7,786
Industrial School	6	43	49	2,834
Others	1	4	5	412
Total	52	10,351	10,403	640,257

Schools in Kirin Province	Number of Schools			Number of Students
	Maintained by Province	Maintained by Prefecture & Private	Total	
Kindergarten	1	1	2	104
Primary School {	Lower Class	19	1,422	90,453
	Higher "	—	71	4,887
	Lower & Higher "	7	174	36,220
	Others	—	2	82
Middle School {	Lower Class	12	19	4,636
	Higher "	—	—	—
	Lower & Higher "	1	—	219
Normal School	6	11	17	1,198
Industrial School	1	2	3	142
Others	—	—	—	—
Total	47	1,702	1,749	137,941

In Amur Province, where education facilities are yet inadequate, statistical data are not obtainable.

137 Chinese Text-Books

Text-books recently compiled in South China, especially for use in elementary schools, contain paragraphs or stories of a strong anti-foreign nature against Great Britain, France, Germany, Japan and Russia. In many instances, the compilers resort to the practice of telling half-truths regarding the acts of foreign governments in China, but there is a gross omission of the whole truth, or explanations of the causes that necessitated foreign action. An example of this practice is furnished by the text-book "Reading of History" (歷史課本), intended for the higher grade elementary school, in which the South Manchuria Railway is described as the "military staff invading Manchuria." A story of "Two Fishermen of Liaotung Peninsula" in the National Language Text-Book of New Doctrine, for higher grade elementary schools; a "Letter from South Manchuria" in the text-book called "One Thousand Character Lessons of the Three Principles," and other stories in other text-books are directed against alleged Japanese actions in Manchuria.

These school books were sent to Manchuria and indiscriminately used in Chinese private schools maintained even in the Japanese Railway Zone. The compilers have possibly aimed to inspire patriotism among the younger generation by utilizing such stories of anti-foreign nature, but resort to such means of instilling violent anti-foreign sentiment and creating a rooted prejudice in the susceptible minds of the younger generation can hardly lead to international understanding or peace, or advance China's real welfare; and might result in complications, national and international, in the years to come. However, it is said that with a view to make school education in Manchuria compatible with the high ideal of the new state, the Manchukuo Government decided to revise and unify the primary school textbooks, based on Li Chiao (禮教), Confucianism, eliminating all radical anti-foreign sentiments which abound in the existing textbooks brought from South China. In view of the approach of the new school term, the Education Bureau of the Manchukuo Government will blot out all the anti-foreign elements in the existing textbooks, adding Japanese language and manual training to the regular curriculum. To this effect, a circular note has been addressed to the provincial authorities.

138 Russian Educational Service

Since the building of the Chinese Eastern Railway, a number of primary schools, high schools, commercial schools, language schools, besides technical and medical schools, have been established in the Russian Railway Zone. Some of them were maintained or supported by the Railway, while others were maintained or supported by the municipalities and private associations. Since the Soviet Revolution, however, educational activities in the North have been a great deal checked.

Subsequently, after the Railway had been brought under the joint management of Russia and China, the administrative power in the Railway Zone being ceded to China, the Chinese authority claimed to control all schools in the Zone. A compromise agreement was made in December, 1927. By this agreement, the Chinese Eastern Railway Company was to defray annually 2,400,000 roubles, half being apportioned to the Chinese and Russian schools respectively, as school expenses. According to the Annual Report of the Chinese Eastern Railway of 1926, there were 16 Chinese primary or common schools with 1,477 pupils in 1925. Russian common schools numbered 47 with 8,065 pupils in the same year, besides one having a nine-year course at Harbin. In addition, there were 19 common schools supported by the Railway, and seven Russian middle schools partly supported by the Railway.

For professional education, there are a law school, commercial college, normal school, Sino-Russian technical university, and a medical university, all at Harbin. Of these, Harbin Law School maintains several

courses of law, economics, commerce, railways, and Oriental economics. This school provides a preparatory course in the Russian language for Chinese students. Its faculty numbered 33 and students 662 in January, 1927. The Sino-Russian Technical University was originally a technical college, established in 1920, but was advanced to university grade in 1923. It has three departments, i. e., civil engineering, electricity and mechanics. The main course of study requires five years, including a preparatory course of three years for Chinese studying the Russian language.

139 Missionaries in Educational Work

Europeans of the Roman Catholic faith, coming from North China missions, are reported to have established themselves in Manchuria in the beginning of the 19th century. After Newchwang was opened to trade, the Scottish Mission and the Presbyterian Church of Ireland started missionary work at this port, and gradually expanded to Mukden, Kirin and Liaoyang. The Danish Missionary Society (Danske Missionselskab) commenced work soon after the Sino-Japanese war, at Port Arthur, and later penetrated to Fenghuangcheng, Antung, and North Korea. With the Boxer trouble, and up to the end of the Russo-Japanese war, the work of foreign missionaries was checked, but they resumed activities after the war.

Foreign missions are also participating in educational and medical work. Schools maintained by foreign missions in 1929 in Manchuria numbered 173, and students aggregated 4,428 as shown in the table below:

Provinces	Primary School				Middle School				Medical College	Theological College	Kindergarten	School for Blind	Deaf-mutes' School	Total
	Lower Girls	Lower Boys	Higher Girls	Higher Boys	Lower Girls	Lower Boys	Higher Girls	Higher Boys						
Mukden ...	29	52	13	17	2	6	1	1	1	1	7	1	1	132
Kirin	8	9	5	9	—	1	—	—	—	—	2	—	—	34
Amur ...	2	3	1	1	—	—	—	—	—	—	—	—	—	7
Total of Schools.	103		46		9		2		1	1	9	1	1	173
Total of Students	2,255		530		1,078		110		90	35	270	40	20	4,428

XIII SANITATION

140 Sanitary Condition in Manchuria

Contrary to conditions in a tropical country, Manchuria, lying in the temperate zone like the northern part of Europe, in which climate, humidity and rainfall are very similar, should be a healthy land in which to live. Various plagues and infectious diseases, however, have often threatened both human beings and cattle. Until very recently, even important towns and crowded quarters everywhere were normally in filthy condition and hygienic administration completely neglected.

With the Russian advent, modern systems of hospitals and water-works were introduced in the Railway Zone. During the Russo-Japanese war, the Japanese Army at once set up with characteristic thoroughness the most complete hygienic measures in South Manchuria, then under military occupation. With the restoration of peace, Baron Goto (late Count), the first President of the South Manchuria Railway Company, then acting as Adviser to the Kwantung Government, being himself a physician, took the initiative in adopting thorough sanitary measures in the Leased Territory and the Railway Zone. In order to eradicate the opium habit and the indiscriminate use of morphine and other narcotics, the most effective measures, with gradual steps, are being carried out in the Leased Territory. In these regions, public sanitation has made great progress in a quarter of a century. It is a happy omen that the Chinese authorities in Manchuria, stimulated by the example set by the Japanese and Russians, have begun to adopt sanitary measures at least in the principal cities, such as Mukden and Harbin. They have also shown a conciliatory spirit when co-operative measures in preventing the plague and cholera were required by the Japanese and other nationals. In recent years, however, the Chinese authorities have resented offers of co-operation, regarding such as interference. Foreign missionaries in Manchuria have long been interested in medical work.

141 Japanese Hygienic Services

Hygienic administration in the Leased Territory and the Railway Zone is controlled by the Police Bureau of the Kwantung Government, and administrative measures in the Railway Zone are participated in by the Local Affairs Department of the South Manchuria Railway. Quarantine and other hygienic matters in the harbours of Dairen and Port Arthur come under the jurisdiction of the Marine Bureau of the Kwantung Government. Bacteriological laboratories, established by the S. M. R., are at Mukden, Newchwang, Antung, Changchun and Fushun. To each laboratory medical experts and officers are attached to enforce epidemic prevention measures. While the Kwantung Government main-

tains five hospitals in the Leased Territory, the South Manchuria Railway has established and maintains hospitals and their branches at twenty-four places, chiefly in the Railway Zone, besides several hygienic institutions. These Japanese hospitals, including those maintained by the Red Cross Society of Japan, give medical treatment without discrimination to Japanese, Chinese and other nationals living in or outside the Railway Zone. In recent years, of Chinese utilizing these Japanese hospitals in Manchuria has gradually increased, their treatments by day having reached over a million a year.

142 Japanese Medical Treatment

The Kwantung Government Hospital was established in November, 1907, at Port Arthur. The building of a Red Cross Hospital under the Russian *régime* was purchased from Russia and utilized for the use of the new hospital. Considerable architectural alterations and extensions were made in past years, so as to facilitate different branches of treatment, and provide accommodation for 118 in-patients. The Government also maintains isolation hospitals at Dairen and Port Arthur for the treatment of victims afflicted with any of the legally specified infectious diseases. Each is located on a high, dry hill and equipped with up-to-date appointments. The Hospital at Port Arthur can take care of 100 patients, and that at Dairen 250. In addition, there are two women's hospitals, one at Port Arthur and the other at Dairen, principally for taking care of prostitutes. In order to extend medical treatment to the people in districts remote from Dairen and Port Arthur in the Leased Territory, the Government maintains officially-appointed district physicians in thirteen towns. The chief function of these physicians is to participate in sanitary administration, especially in vaccination, and in their spare time they give medical aid to the people. In the case of poor Chinese patients, medicine is furnished without charge. To these official physicians, the Government makes a monthly allowance, provides official residences, and furnishes medicine and medical apparatus. The following table shows the number of patients treated in past years by five Government Hospitals and district physicians in the Leased Territory:

	No. of Day Patients					
	1911	1916	1921	1926	1929	1930
Kwantung Government Hospital.....	117,299	145,823	136,018	153,830	150,756	174,188
Isolation Hospital at Port Arthur.....	—	—	2,783	10,004	5,185	3,662
Isolation Hospital at Dairen	—	—	20,207	34,750	17,221	14,882
Women's Hospital at Port Arthur ...	—	—	8,961	7,180	8,002	6,231
Women's Hospital at Dairen	—	—	50,086	31,210	25,738	23,339
District Physicians.....	31,334	60,656	193,252	136,988	95,945	104,655
Total	148,633	209,479	411,307	373,962	302,847	326,957

The South Manchuria Railway Company maintains a most extensive system of medical institutions in Manchuria. There are hospitals in Dairen, Shakako, Mukden, Antung, Newchwang, Tashih-chiao, Wafangtien, Liaoyang, Anshan, Fushun, Tiehling, Kaiyuan, Ssuping kai, Kungchuling, Kirin, Penhsihu, and Changchun, along the Railways, and a hospital at Harbin. Branch hospitals are maintained in the Chinese quarters of Dairen, Mukden, Newchwang, and Changchun, principally for the purpose of extending the benefit of modern medical treatment to the Chinese. Branch hospitals are also maintained at Chinchou and Shakako. That is to say, eighteen hospitals and six branch hospitals are maintained by the South Manchuria Railway Company. For the building and equipment of these institutions over 14,000,000 yen has been spent in past years, and about 2,500 in-patients can be accommodated. The hospitals, of course, vary in size. Dairen Hospital is the largest, consisting of ten divisions—surgery, gynaecology, ophthalmology, children's clinic, rhino-laryngology, physical treatment, dentistry, and laboratory. The last-mentioned division is subdivided into bacteriological, pathological, and chemical sections. Next come the hospitals at Mukden and Fushun, each of which has large modern accommodation. Mukden Hospital, attached to the South Manchuria Medical College, has also several divisions each provided with the latest medical appliances, so that the newest inventions or devices are in practical use besides being utilized for class-work at the college. Other hospitals have also separate divisions according to local requirements. The following table shows the progress of medical treatment during the last twenty-four years:

Year	Number of Patients (Day treatment)			Account		
	In-patients	Out-patients	Total	Income	Expenses	Deficit met by Company
1907-8	31,704	230,868	262,272	41,352	185,473	144,131
1912-3	214,917	489,803	704,720	418,834	643,146	224,312
1917-8	438,313	949,013	1,387,326	973,215	1,152,272	179,057
1922-3	462,633	1,226,709	1,689,342	2,309,795	2,979,901	670,105
1927-8	685,432	1,706,295	2,401,727	3,702,898	4,462,218	759,320
1928-9	719,029	1,664,789	2,383,818	3,832,974	4,269,074	376,100
1929-30	742,280	1,632,127	2,374,407	4,042,410	4,240,402	197,992
1923-31	693,805	1,566,234	2,260,039	3,758,270	3,910,304	152,034

In addition to the above record, the work of the district physicians appointed by the South Manchuria Railway Company must not be overlooked. These medical officers are stationed in towns and districts in Manchuria and Eastern Inner Mongolia, supervising sanitary work, conducting vaccination, and giving general medical aid to the needy. Medicine is furnished free or at bare cost. In ten places in the Railway Zone, far from hospitals, visiting nurses give their service as midwives and in first aid.

The Red Cross Society of Japan also is active in Manchuria. During the Russo-Japanese war, the Society engaged in relief work and medical treatment of the Chinese refugees. After the war the Chinese, the Russians, and the Japanese in Manchuria, interested in the work of the Society, welcomed the establishment of branches. There are now fifteen of these, and thirteen sub-branches in different districts. The members of the Society in Manchuria gradually increased to 86,788, of which 43,072 are Japanese and 43,716 Chinese, Russians and other foreigners, as the figures existed at the end of the year 1930. The Society also engages in preventive measures and propaganda against tuberculosis, and sends its physicians to the interior, where medical treatment is given free of charge to the poor. At times of political disturbance, such as the commotion at Fenghuangcheng in 1912, the Chengchiatung incident in 1916, the first and second Mukden-Chihli collisions respectively in 1922 and 1924, Kuo Sung-ling's rebellion in 1925, the Sino-Soviet dispute in 1929, and the Manchurian incident in 1931, the Society extended the most liberal medical treatment and aid to the calamity-stricken troops and refugees. The Red Cross Society branches of Japan in Manchuria today have ten hospital equipments in Mukden, Dairen, Liaoyang, Chinchow, Chengchiatun, Tunghua and Imienp'o.

Those who had received medical treatment and other aid from the Society in Manchuria up to the end of December, 1930, numbered more than 1,230,000 persons. The following table shows numbers of members of the Society and persons receiving medical treatment in recent years:

Year	Members of the Society			Persons Receiving Medical Treatment by the Society		
	Japanese	Chinese	Total	Japanese	Chinese	Total
1925	36,771	33,789	70,560	9,258	20,105	29,363
1926	40,389	37,689	78,078	11,797	19,528	28,325
1927	41,749	38,429	80,178	4,902	19,108	24,010
1928	42,180	40,932	83,112	4,151	10,835	14,986
1929	42,534	42,792	85,326	9,430	38,544	47,974
1930	43,072	43,716	86,788	1,466	19,297	20,763

143 Medical Education

It was vitally important to diffuse sanitary and medical knowledge and skill in Manchuria and Mongolia in order to promote the general welfare. The dreaded pneumonic plague, which broke out in the winter of 1910-11, and swept over Mongolia and Manchuria claiming 50,000 victims, attracted the eyes of the whole medical world to these regions, and resulted in the assembly of the International Plague Conference at Mukden at the end of the visitation. A medical college was contemplated by the South Manchuria Railway Company, chiefly in order to train Chinese physicians, and this finally came into existence in June, 1911, at Mukden, being named the South Manchuria Medical College.

Its principal course is of four years, with one year of post-graduate work. The Military Inspector-General of the Three Eastern Provinces and the Military Commander of Mukden Province were made honorary presidents, and the Governor of the Province and Director of the Board of Education were made honorary advisers. One of the secretaries was elected from among the Chinese. While the annual tuition fee for Japanese students was 45 yen, Chinese students were admitted free of charge. In May, 1922, this medical college was promoted to university standing, and named Manchuria Medical University, a preparatory course being added, extending for three years. The tuition fee of the university course for the Japanese student is 80 yen, and 45 yen for the preparatory course. The Chinese student is now charged one-half of these rates.

The South Manchuria Railway Company had invested over 2,500,000 yen in the buildings, apparatus, and library of this medical school up to the end of March, 1928, and is annually spending about 800,000 yen for maintenance.

Regular courses of instruction in nursing and pharmacy are given in all hospitals maintained by the South Manchuria Railway Company.

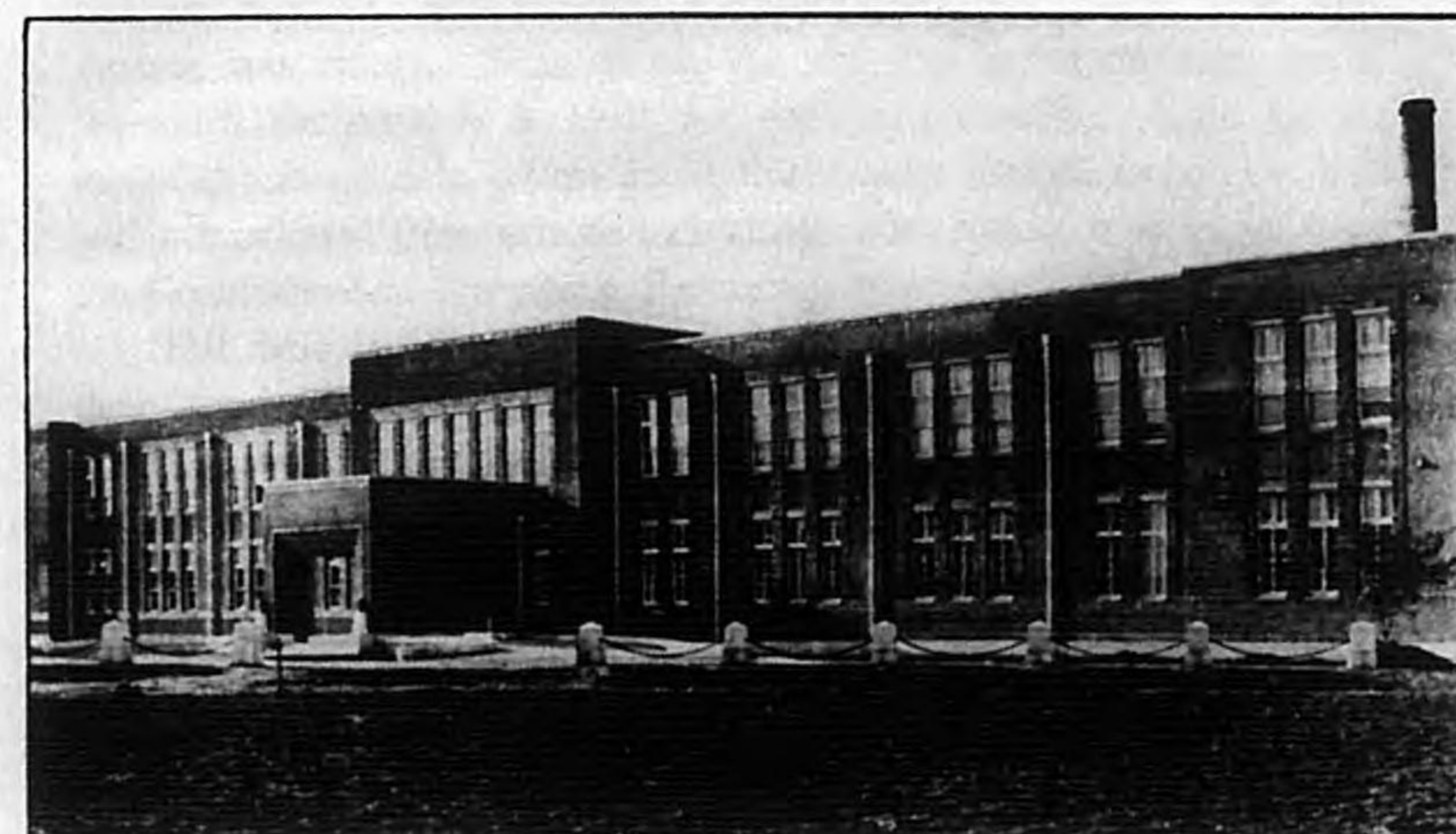
144 Hygienic Institutions Maintained by S. M. R.

The South Manchuria Railway maintains three hygienic institutions in the Leased Territory and Railway Zone—Hygienic Laboratory Institute, Tuberculosis Sanatorium and Animal Disease Research Institute.

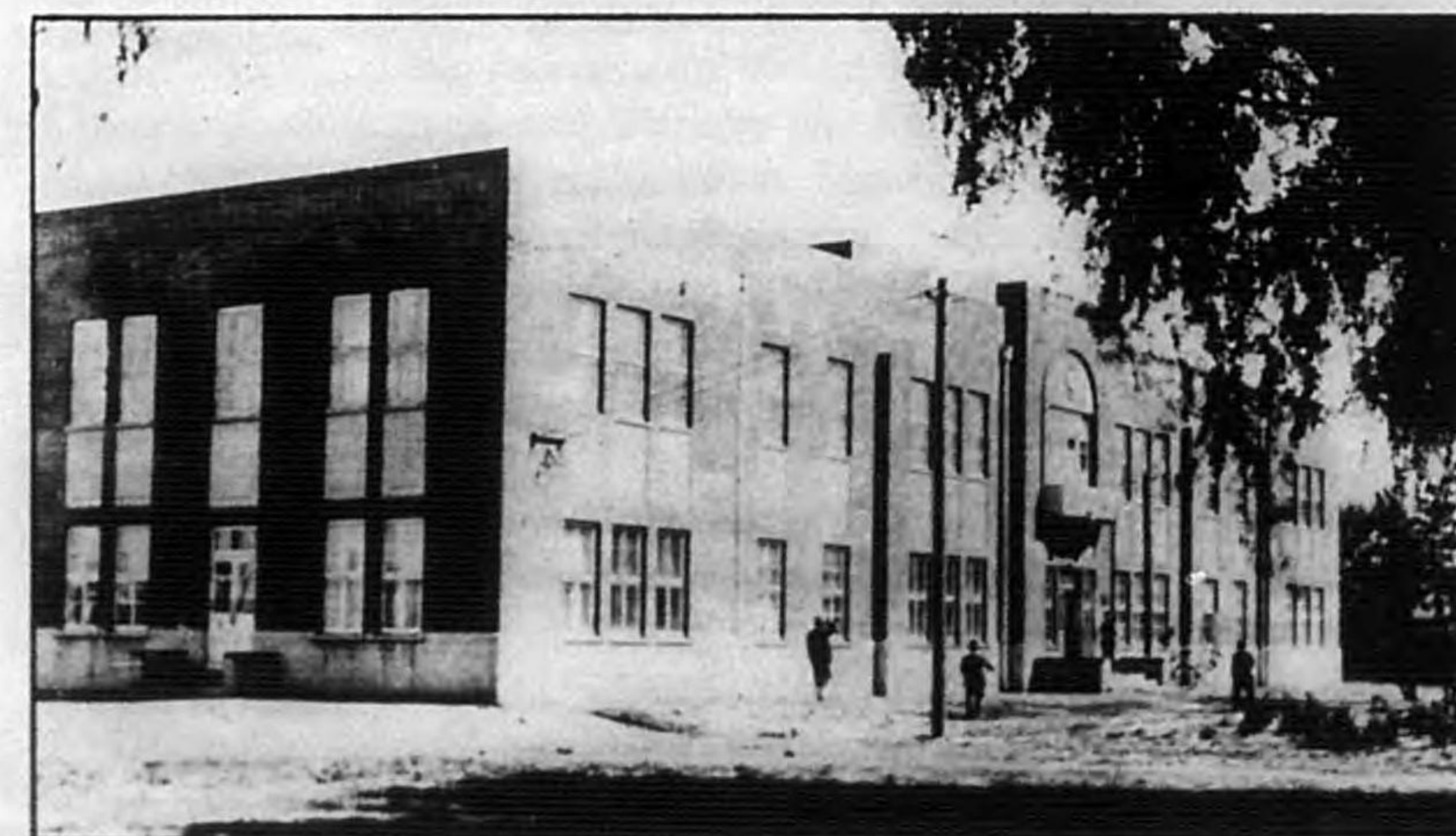
With regard to hygienic investigation, or laboratory work, i. e., the examination of human and animal epidemics, bacteriological tests, tests of medical and chemical substances, food and drink, these were originally conducted by the Central Laboratory of the Kwantung Government. This laboratory was transferred to the South Manchuria Railway Company in May, 1910, on condition that all hygienic or chemical tests should be made free of charge to the general public. Ever since, the Central Laboratory of the South Manchuria Railway Company has conducted all hygienic investigations and tests side by side with experimental work and the inspection of agricultural and industrial products. But all matters relating to hygienic examination and tests in medical and chemical substances, food and drink, or in bacteriological tests with special reference to epidemic or endemic prevention, were transferred on April 1, 1927, to the newly-established Hygienic Laboratory Institute of the South Manchuria Railway Company. This institution also manufactures vaccines and serums, disinfectants, etc. for the use of about a million persons annually. These products are distributed at the original cost or free of charge, not only in Manchuria, but in Tientsin and Shantung districts when required. The quantities of vaccines and serums manufactured and distributed in past years by the Institute are shown as follow:



Dairen Hospital



Hygienic Institute Maintained by S. M. R.



Cattle Epidemic Institute Established by S. M. R. at Mukden

Year	Vaccines and Serums manufactured (Amounts in c. c.)	Products, sold or distributed (Amounts in c. c.)
1928	21,856,857	21,128,423
1929	25,574,962	25,513,389
1930	30,801,140	30,728,469

Sufferers from consumption in Manchuria form a much higher percentage than is the case in Japan or Korea. In the Japanese Leased Territory and Railway Zone, where the population is over 1,291,000, such cases are estimated at about 65,000, or 5 per cent. In commemoration of the Imperial Enthronement in 1928 the Company finally decided to establish a tuberculosis sanatorium which had been contemplated since the fifteenth anniversary of the S. M. R. As the site of this sanatorium, the best location, that at Hsiaopingtao (Shoheito), between Dairen and Port Arthur, was chosen. Situated on the hill-side facing the open sea to the south, the position is ideal for such an institution. Land for the use of the sanatorium covers about thirty acres (35,000 tsubo). It was partly purchased from private individuals, but most of it is leased from the Government of Kwantung Province.

The main building is of three storeys, brick construction, and the floor space aggregates 6,950 square metres. The cost of the main building, with nurses' dormitory, was over 628,000 yen, and equipments and facilities over 106,000 yen. Construction was commenced in the latter part of 1930 and was completed in the following year. Dr. Shigekiyo Endo, a specialist in consumption, was appointed Superintendent of the Sanatorium.

Although there were numerous herds of horses and cattle in Manchuria, modern cattle plague prevention measures were not undertaken until the Kwantung Government promulgated the Cattle Epidemic Regulations in 1906, which were subsequently enforced also in the Railway Zone. These Regulations were revised in 1919, and operated in common both in the Leased Territory and Railway Zone.

Most of the cattle epidemics in Manchuria are in the form of rinderpest, anthrax, foot-and-mouth disease, "schweine rothlauf," hog-cholera, rabies, and sheep-pox. The aggregate number of such epidemic cases reported during the ten years from 1916 was 4,052, of which 3,169 occurred in the Leased Territory and 883 in the Railway Zone.

An Animal-Disease Research Institute was established at Mukden in 1925 by the South Manchuria Railway Company at a cost of 250,000 yen, its annual up-keep amounting to 80,000 yen. The Institute manufactures almost every kind of cattle plague vaccine and serum, including hydrophobia vaccine, tuberculine, and mallein. Previously the Leased Territory and Railway Zone received supplies of these anti-cattle plague

vaccines and serums from the Agriculture and Forestry Department of the Imperial Government, Tokyo, and the Government-General of Korea. But the Institute today is able to supply not only requirements in South Manchuria, but those of North Manchuria also, if required.

The following table shows the amount of cattle plague vaccine and serum, tuberculin, mallein and other remedies manufactured and distributed or sold during recent years:

Year	Amount transferred from previous year in c.c.	Amount manufactured in c.c.	Amount sold in c.c.	Outstanding at year end in c.c.
1916	—	47,975	195,680	242,236
1917	307,286	372,175	181,530	497,931
1918	423,540	374,626	486,450	311,716
1919	371,736	388,725	828,545	271,916
1920	371,975	1,247,236	928,250	390,961

145 Water Works and Sewage

Well-water used in the towns of Manchuria was the prime cause of epidemic disease owing to infiltration from open drains and other polluted sources. The construction of water works in Manchuria where the general knowledge regarding sanitary matters was still backward was considered important. Pressed specially by the necessity of supplying clean water in the open ports and in places thickly populated, the Kwantung Government and the South Manchuria Railway Company in 1907 started to provide modern water works in the Leased Territory and in the Railway Zone.

During the Russian régime, water works on a small scale were provided at Port Arthur, Dairen, and a few other places, but chiefly for the use of the Russian troops and railways.

Water works at Dairen, Port Arthur, and Chinchow were constructed and maintained by the Kwantung Government. As Dairen is one of the largest ports in the Orient, and its population and shipping are increasing year by year, the water works were planned on a large scale and have been further enlarged. The daily capacity is 24,000 tons. Up to 1920, 7,500,000 yen had been spent on the Dairen Water-works as construction expenses, 200,000 yen on Port Arthur Water-works, and 200,000 yen on the Chinchow Water-works, making a total of 8,000,000 yen.

Up to 1920 the South Manchuria Railway Company had provided water works in various places along the Railway, including those at Mukden, a suburb of Dairen, Miao-tai, Newchwang, Pingtung, Changchun, and other towns. In 1920, 12,000,000 cubic meters of water were supplied. The aggregate cost of construction of these works amounted to about 21,000,000 yen. Up to 1920 the amount from the water and sewerage rates was the only source of revenue. A population of 200,000 was served by the water and sewerage works in the Railway Zone.

Up to 1920 the Japanese Government had supplied water in the Railway

water of the Zone every month, and inspect all the wells in the Zone twice a year.

Regarding sewage, a modern system is established at Dairen, the cost aggregating 2,871,000 yen up to March 31, 1926, and at Port Arthur, the cost being 250,000 yen. In all important cities and towns along the Zone the South Manchuria Railway Company has installed modern sewage.

146 Control of Opium-Smoking in the Leased Territory

Opium-smoking is one of the long-standing habits of Chinese in Kwantung Province, as in China proper.

While this Leased Territory was under the Russian administration, no special measure was taken to control the vice, beyond collecting a tax from opium dens. Under the Japanese régime, it was decided to remedy the evil by gradual steps. As the first step, the Kwantung Government, in 1906, instead of allowing free distribution of opium as hitherto, granted license to a Chinese, Mr. P'an Chung-kuo, as sole importer and wholesale dealer in opium for the territory, and this privilege was extended to a Japanese in the following year. On the other hand, the authorities did not neglect to give serious consideration to the question of control of smoking. In 1908, just one year before the International Opium Commission was held in Shanghai, the Kwantung Government promulgated an ordinance by which the provisions of the Japanese criminal law relating to the complete suppression of opium-smoking were to be extended to the Leased Territory. But it was found impossible to enforce the prohibitive clauses all at once against a long-standing practice, and the enforcement was postponed for the time being. Since 1912, the Government allowed only opium addicts possessing Government certificates to practise the habit. In order to make opium control much stricter, as well as to utilize the profit derived from opium for social betterment, the business hitherto conducted by licensed private individuals was handed over in 1915 to the Kosai Zendo, a juridical corporation organized by Chinese in Dairen for philanthropic purposes. The total number of the opium addicts was about 5,535 as reported in 1921. With the view gradually to eliminate smokers after 1920, the Government more than once carried out investigation by means of a census. The actual number of addicts was found to be no less than 34,546 in 1922, or more than six times the reported number in 1921, the majority consuming smuggled opium instead of that supplied by the Kosai Zendo. For more effective control, the Government authorities for some time contemplated the adoption of a monopoly following the example of the Government of Formosa. Furthermore, Japan being one of the signatories of the International Opium Agreement of Geneva, the Kwantung Government finally, July 26, 1928, adopted the Government

monopoly of opium. The Government directly deals in the purchase and distribution of the drug and controls smokers, gradual suppression and ultimate disappearance being the aim. The following table shows percentage of the opium addicts against the whole population in Kwantung Province in recent years:

Year	No. of Chinese in Kwantung	No. of Licensed Smokers	Percentage of Addicts
1924	638,133	28,252	4.43
1925	665,989	29,521	4.43
1926	677,692	29,172	4.30
1927	706,975	31,062	4.39
1928	733,711	31,176	4.25
1929	768,893	30,858	4.01

Regarding opium control in the Japanese Railway Zone, the Government monopoly does not extend to the Zone. Japanese police officials in the Railway Zone are authorized to control opium-smoking and to prevent illicit trade. The Japanese authorities here have complete jurisdiction only over Japanese subjects. As regard Chinese and foreigners, they are subjected only to Japanese police authority who have power to arrest and seize all illicit drugs found in the Zone in case of contravention of the opium regulations. For punishment non-Japanese offenders are handed over to the local Chinese authorities or foreign Consulates, where the offender is a Chinese or foreign national.

147 Chinese Hygienic Service

It would seem that the Chinese did not take medical service in Manchuria into serious consideration until the International Plague Conference, which met at Mukden immediately after the extermination of the dreadful bubonic plague outbreak in the winter of 1911-2, when it was proposed that China should establish Plague Prevention Hospitals at five places. Following this proposition, China established four hospitals, respectively in Harbin, Heiho, Sanhsing and Tungchiang up to 1914. This was the first attempt to establish medical institutions by the Chinese in Manchuria. These hospitals were primarily intended to maintain preventive measures against plague, but normally engage in the usual work of a hospital in treating the general public.

The North-Eastern Hospital was established in 1921 in Mukden, when the first civil war between Chihli and Mukden Provinces took place, and was originally a military hospital. It has three departments, i. e., medical and surgical, and wards for infectious diseases.

148 Russian Hygienic Service

During the Russian régime, the Harbin Municipality contemplated establishing a municipal hospital in 1909. Owing to lack of funds, however, the scheme was not realized until 1914. This hospital maintains three physicians, and six assistants, and has 150 beds.

The important hospitals are those maintained by the Chinese Eastern Railway. They are eight in number, and are at Harbin, Pogranitchnaya, Hengtaohotzu, Fuhailaerhchi, Puhatu, Hailar, and Manchuli.

The table below gives details of Chinese Eastern Railway hospitals:

Year	No. of Medical Staff			No. of Patients		
	Physicians	As-sistants	Other Employees	No. of Beds	No. of Patients	No. of Days' Treatment
1924	21	68	188	493	10,313	201,731
1925	22	71	195	565	10,356	206,367
1926	23	81	208	623	11,201	227,439

Of these railway institutions, the Central Hospital and Hospital for the Insane are maintained at Harbin.

It should be remembered that these hospitals underwent a change in management when the Chinese Eastern Railway was brought under the joint control of the Mukden Government and Soviet Russia in 1924. Two-thirds of the staffs are Russian and the remainder Chinese.

Besides these hospitals, the Chinese Eastern Railway maintains thirteen physicians and four dentists, who visit the schools twice a year and give medical aid and dental treatment to the school children. Those receiving such treatment during 1925 and 1926 numbered over 12,000.

149 Foreign Mission Medical Service

Of the medical service rendered by foreign Missions in Manchuria, the Mukden Hospital was established as early as 1882 by Dr. Dugald Christie, of the Scottish Missionary Society. The hospital maintains two departments, i. e., Men's Hospital and Women's Hospital. According to the report of the hospital for 1929, the Men's Hospital received 15,052 out-patient visitors and treated 1,782 day in-patients, while the Women's Hospital treated 21,002 day out-patients and 1,666 day in-patients.

150 Plague Prevention Co-operative Measures

During the last two decades, Manchuria was visited several times by the most fatal infectious diseases — the pneumonic plague in 1910-11, cholera epidemic in 1919, pneumonic plague again in 1920-21, and the same in 1927. The plague in 1910-11 was most serious and spread from its source in Trans-Baikal to the southernmost point in Shantung, through Manchuria, a distance of about 3,000 miles, with the result that 50,000 victims were reported, mostly in Manchuria. On each visitation, the Japanese exerted the utmost efforts to prevent and suppress the epidemics at heavy pecuniary sacrifice. Especially when the pneumonic plague in the winter of 1910 penetrated Harbin, and threatened in its southern descent the province of Shantung and Korea, through South Manchuria, the Japanese authorities pursued persistent measures in co-operation with the Chinese and Russian authorities concerned. But

the efforts of the latter came rather late, owing to the Chinese hesitation, and they failed to prevent heavy mortality. In the anti-plague campaign in 1910-11, the details of which are fully treated in the previous Report, the sum of 2,559,685 yen was spent by the Japanese authorities, apportioned as follows:

Home Government.....	1,000,000
Kwantung Government.....	684,075
South Manchuria Railway Company.....	860,863
Japanese Hygienic Associations in Manchuria.....	14,747
Total.....	2,559,685

In addition, the sum of 142,000 yen was spent by the Government-General of Korea. The peninsula completely escaped invasion of the plague from Manchuria, not a single case being reported.

Profiting by past experience, when plague again broke out in 1920-21, co-operative measures were more promptly applied and the disease kept within the affected districts, in North Manchuria along the Chinese Eastern Railway, the number of deaths being 7,600. In 1927-30, when the plagues broke out occasionally in Paiyintala prefecture, Eastern Inner Mongolia, the Japanese authorities offered the Chinese authorities co-operative measure of prevention as Paiyintala is to-day connected by railway with the South Manchuria Railway at Ssupingkai. But the offer being declined by Chinese, the Japanese authorities took prompt measures to prevent the plague invading the railway junction. Fortunately it was kept within narrow limits and did not penetrate the South Manchuria Railway Zone.

151 International Plague Conferences in Manchuria

Soon after the dreadful visitation of 1910-11, an International Plague Conference was held at Mukden in April, 1911, at the invitation of the Chinese Government. The participants in this conference were Austria, China, France, Germany, Great Britain, Holland, Italy, Japan, Mexico, Russia, and the United States. These Powers sent experts of high reputation as their representatives, and Japan was represented by Dr. Kitazato, the Superintendent of the Kitazato Bacteriological Institute of Tokyo. The question was discussed whether the tarbagan, or any other wild rodent on the Siberian border of Manchuria or Mongolia, was the actual medium of the pest; and research work concerning the relation of the plague with rodents was entrusted to China and Russia, as having closer relations with the origin of the plague. All matters relating to the disposal of plague victims, cremation, disinfection, etc., were discussed and important resolutions thereupon made. It was resolved that the railway companies in North Manchuria, as well as in South Manchuria, should maintain co-operative plague preventive measures. The conference also proposed that the Chinese Government should establish plague prevention hospitals in Manchuria. Acting upon this proposal,

the Chinese Government established four hospitals in Manchuria, as stated in Section 147. Later, it was arranged that tarbagan hunters should be registered and receive official permits from the Chinese authorities; further, that two fur-skin disinfecting stations be established at Manchuli and Hailar respectively under medical direction.

With the object of exchanging views on hygienic matters in South Manchuria, the Kwantung Government and the South Manchuria Railway under the auspices of the League of Nations invited in November, 1925, hygienic experts of different countries to a conference. These included Australia, Dutch East India, Federated Malay States, Hongkong, India, Indo-China, New Zealand, the Philippines, Siam, Straits Settlements, and Japan proper. Several authorities of the Health Section of the League of Nations, including Dr. Woo Lien-teh, Director and Chief Medical Officer of North Manchuria Plague Prevention Service, were present at this international conference, held at Dairen. After the opening address of the Chairman Mr. Fujita, of the Kwantung Government, brief speeches on hygienic administration in the Leased Territory and the S. M. R. area, and on cattle epidemics in Manchuria, were made by the respective authorities, and criticisms and suggestion from foreign delegates on hygiene in South Manchuria were invited, for reference of future use in the further improvement of hygienic practice in Manchuria. Most of the foreign delegates expressed their unreserved admiration of the Japanese hygienic administration, and the modern equipment extended not to any one group, or particular race, but to all nationals. Among them, Dr. C. Manalang, from the Philippines, said "the Chinese people should congratulate themselves on having with them here some of the ablest Japanese scientists as well as administrators whose primary aim in their activities is for the development of the country and the welfare of its people." Dr. Woo Lien-teh gave an interesting historical sketch of the anti-plague campaign carried on by Chinese, Japanese and Russian authorities in matters relating to pneumonic plague.

Finally, Dr. Rajchman, chairman of the Health Section, League of Nations, said in part that holding the sum of 1,000,000 yen in reserve for epidemic prevention by the S. M. R. to be drawn upon whenever emergency required "is without a parallel and is an excellent thing."

152 League's Enquiry Commission on Opium Control

Acted on the League Assembly's decision made on September 24, 1928, a Commission of Enquiry into the control of opium-smoking in the Far East was created on March 9, 1929. The chairman and members of the Commission appointed by the League Council were Mr. E. E. Ekstrand, Swedish Minister to Brazil; Mr. M. Gerard, Honorary Secretary to H. M. the King of Belgium, and Dr. J. Havlasa, former Minister of Czechoslovakia to Brazil. The mission of this Commission was to visit oversea colonies, dependencies, or leased territories of Great Britain,

France, Holland, Japan, and the United States in the Far East, including Siam to conduct an enquiry into the opium-smoking situation, and to make suggestions to the Governments concerned and to the League of Nations. The Commission, on March 22nd, 1929, arrived in Kwantung Province, the Japanese Leased Territory, after visiting India, Malay Peninsula, Sumatra, Java, Siam, Indo-China, Philippines, Hongkong, and Formosa. During their stay of about ten days at Dairen and Mukden, the authorities of Kwantung Government, the Japanese Consular officials, and South Manchuria Railway Company gave the Commission full facilities and assistance for their enquiries and investigations into the opium-smoking situation in the Leased Territory and the Railway Zone. The Commission expressed their gratitude by stating that,

"the Japanese Government, on the Commission's request, made subsequently during the voyage in the Far East, gave it an opportunity to visit Chosen in order to acquaint itself with the system of control of poppy cultivation actually in force there; and that the Commission, by invitation of the Japanese Government, extended its journey to Tokio for the purpose of a brief consultation with the central authorities as regards the system of control of opium-smoking in Formosa, in the Kwantung Leased Territory and the South Manchuria Railway Zone."

Full details relating to the control and prohibition of opium-smoking in the Kwantung Province and the Railway Zone can be seen in the Report* of the Commission of Enquiry to the League Council.

* League Council's Official Publications, No. C. 635. M. 254, 1930, XI, 2 Volumes.

APPENDICES*

No. 1 Communication from Chinese Government submitting Appeal on Manchurian Incident to the League Council under Article 11 of Covenant

Geneva, September 21, 1931.

I am instructed by the National Government of China to bring to your attention the facts stated below and to request that in virtue of Article 11 of the Covenant of the League of Nations you forthwith summon a meeting of the Council of the League in order that it may take such action as it may deem wise and effectual so that the peace of nations may be safeguarded.

Through statements made to it at its meeting on September 19 by the Representatives of China and Japan, the Council was advised of the fact that a serious situation had been created in Manchuria. In his statement at that meeting the Representative of China declared that the information which he then had indicated that the situation had been created through no fault upon the part of the Chinese. Since September 19 the undersigned has received from his Government information which discloses a situation of greater gravity than had appeared by the first report and which revealed that beginning from 10 o'clock on the night of September 18 regular troops of Japanese soldiers without provocation of any kind opened rifle and artillery fire upon Chinese soldiers at or near the city of Mukden, bombarded the arsenal and barracks of the Chinese soldiers, set fire to the ammunition depot, disarmed the Chinese troops in Changchun, Kwanchengtse and other places, and later took military occupation of the cities of Mukden and Antung and other places and of public buildings therein, and are now in such occupation. Lines of communication have also been seized by Japanese troops.

To these acts of violence the Chinese soldiers and populace, acting under instructions from the Chinese Government, have made no resistance and have refrained from conduct which might in any way aggravate the situation.

In view of the foregoing facts, the Republic of China, a member of the League of Nations, asserts that a situation has arisen which calls for action under the terms of Article 11 of the Covenant. I am therefore instructed by my Government to request that, in pursuance of authority given to it by Article 11 of the Covenant the Council take immediate steps: To prevent the further development of a situation endangering the peace of nations; to reestablish the status quo ante; and to determine the amounts and character of such reparations as may be found due to the Republic of China.

I will add that the Government of China is fully prepared to act in conformity with whatever recommendations it may receive from the Council, and to abide by whatever decisions the League of Nations may adopt in the premises.

(Signed) SAO-KE ALFRED SZE.

* The previous Report contained in its appendices texts of numerous Treaties, Protocols, Agreements, and Exchange of Notes of the Powers concerning Manchuria and Mongolia. The appendices in this Report comprise the texts of diplomatic correspondence, League Council resolutions, and Governments statements relating to the recent Manchurian Incident, the Shanghai Affair and the new Manchuria State.

No. 2 First Statement of the Japanese Government on
the Manchurian Incident — September 24, 1931

(1) The Japanese Government has constantly been exercising honest endeavours, in pursuance of its settled policy, to foster friendly relations between Japan and China and to promote the common prosperity and well-being of the two countries. Unfortunately, the conduct of officials and individuals of China for some years past has been such that our national sentiment has frequently been irritated. In particular, unpleasant incidents have taken place one after another in the regions of Manchuria and Mongolia in which Japan is interested in an especial degree, until the impression has gained strength in the minds of the Japanese people that Japan's fair and friendly attitude is not being reciprocated by China in a like spirit. Amidst an atmosphere of perturbation and anxiety thus created, a detachment of Chinese troops destroyed the tracks of the South Manchuria Railway in the vicinity of Mukden and attacked our railway guards at midnight on September 18; a clash between the Japanese and Chinese troops then took place.

(2) The situation became critical, as the number of the Japanese guards stationed along the entire railway did not then exceed ten thousand four hundred, while there were in juxtaposition some two hundred and twenty thousand Chinese soldiers. Moreover, hundreds of thousands of Japanese residents were placed in jeopardy. In order to forestall an imminent disaster, the Japanese army had to act swiftly. Chinese soldiers garrisoned in the neighbouring localities were disarmed and the duty of maintaining peace and order was left in the hands of the local Chinese organisations under the supervision of Japanese troops.

(3) These measures having been taken, our soldiers were mostly withdrawn within the railway zone. There still remain some detachments in Mukden and Kirin and a small number of men in a few other places, but nowhere does a state of military occupation as such exist. The reports that Japanese authorities have seized the customs of the salt-gabelle office at Yingkou, or that they have taken control of the Chinese railways between Sipingkai and Chengchiatun or between Mukden and Ssinmintun are entirely untrue, nor has the story of our troops having ever been sent north of Changchun or into Chientao any foundation in fact.

(4) The Japanese Government, at the special cabinet meeting of September 19th, took the decision that all possible efforts should be made to prevent the aggravation of the situation, and instructions to that effect were given to the Commander of the Manchurian Garrison. It is true that a detachment was despatched from Changchun to Kirin on September 21st, but it was not with a view to military occupation but only for the purpose of removing a menace to the South Manchuria Railway on its flank. As soon as that object has been attained, the bulk of our detachment will be withdrawn. It may be added that while a mixed brigade of four thousand men was sent from Korea to join the Manchurian Garrison, the total number of men in the Garrison at present still remains within the limit set by treaty, and that fact cannot therefore be regarded as having in any way added to the seriousness of the international situation.

(5) It may be superfluous to repeat that the Japanese Government harbours no territorial designs in Manchuria. What we desire is that Japanese subjects

shall be enabled safely to engage in various peaceful pursuits and be given the opportunity of participating in the development of that land by means of capital and labour. It is the proper duty of a government to protect rights and interests legitimately enjoyed by the nation or individuals. The endeavours of the Japanese Government to guard the South Manchuria Railway against wanton attacks should be viewed in no other light. The Japanese Government, true to its established policy, is prepared to co-operate with the Chinese Government in order to prevent the present incident from developing into a disastrous situation between the two countries and to work out such constructive plans as will once for all eradicate causes for future friction. The Japanese Government would be more than gratified if the present difficulty could be brought to a solution which will give a new turn to the mutual relations of the two countries.

No. 3 Identic Note of the United States to Japan
and China — September 24, 1931

The Government and people of the United States observed with regret and with concern events of the past few days in Manchuria. In view of the sincere desire of the people of this country that principles and methods of peace shall prevail in international relations, and of the existence of treaties, to several of which the United States is a party, the provisions of which are intended to regulate the adjustment of controversies between nations without resort to use of force, the American Government feels warranted in expressing to the Chinese and the Japanese Governments its hope that they will cause their military forces to refrain from any further hostilities, will so dispose respectively of their armed forces as to satisfy the requirements of international law and international agreements, and will refrain from activities which may prejudice the attainment by amicable methods of an adjustment of their differences.

No. 4 Reply of the Japanese Government to the United States —
September 27, 1931

The Japanese Government is deeply sensible of the friendly concern and the fairness of attitude with which the American Government has observed the recent course of events in Manchuria. Sharing with the American Government the hope expressed in your note under acknowledgement, this Government has already caused the Japanese military forces in Manchuria to refrain from any further acts of hostility, unless their own safety, as well as the security of the South Manchuria Railway and of Japanese lives and property within that Railway zone is jeopardized by the aggression of Chinese troops or armed bands. Every care has been, and will continue to be, exercised by the Japanese forces to observe all the requirements of international law and international agreements, and to avoid any action that is calculated to prejudice an amicable settlement of the differences between Japan and China.

The Japanese Government is confident that by frank and unimpassioned discussions between the two parties in conflict, in the light of their true and lasting interests, an adjustment will be found to set at rest the existing situation of tension in Manchuria.

No. 5 League Council's First Resolution on Manchurian Incident
unanimously approved — September 30, 1931

"The Council,

"1. Notes the replies of the Chinese and Japanese Governments to the urgent appeal addressed to them by its President and the steps that have already been taken in response to that appeal;

"2. Recognises the importance of the Japanese Government's statement that it has no territorial designs in Manchuria;

"3. Notes the Japanese representative's statement that his Government will continue, as rapidly as possible, the withdrawal of its troops, which has already been begun, into the railway zone in proportion as the safety of the lives and property of Japanese nationals is effectively assured and that it hopes to carry out this intention in full as speedily as may be;

"4. Notes the Chinese representative's statement that his Government will assume responsibility for the safety of the lives and property of Japanese nationals outside that zone as the withdrawal of the Japanese troops continues and the Chinese local authorities and police forces are re-established;

"5. Being convinced that both Governments are anxious to avoid taking any action which might disturb the peace and good understanding between the two nations, notes that the Chinese and Japanese representatives have given assurances that their respective Governments will take all necessary steps to prevent any extension of the scope of the incident or any aggravation of the situation;

"6. Requests both parties to do all in their power to hasten the restoration of normal relations between them and for that purpose to continue and speedily complete the execution of the above-mentioned undertakings;

"7. Requests both parties to furnish the Council at frequent intervals with full information as to the development of the situation;

"8. Decides, in the absence of any unforeseen occurrence which might render an immediate meeting essential, to meet again in Geneva on Wednesday, October 14th, 1931, to consider the situation as it then stands;

"9. Authorises its President to cancel the meeting of the Council fixed for October 14th should he decide, after consulting his colleagues, and more particularly the representatives of the two parties, that, in view of such information as he may have received from the parties or from other members of the Council as to the development of the situation, the meeting is no longer necessary."

No. 6 Second Statement of the Japanese Government issued soon
after the League Council failed to obtain unanimous support
for its draft resolution and the Japanese counter-
resolution — October 26, 1931

1. On the 22nd of October, the Japanese Representative in the Council of the League of Nations proposed certain amendments to the Resolution then before the Council with regard to the two questions of (1) the withdrawal of the Japanese troops to the Railway Zone and (2) direct negotiations between China and Japan. However, these suggested amendments as well as the Resolution itself fell through, having failed to obtain the

unanimous approval of the Council.

2. As has been repeatedly emphasized by the Japanese Government, the whole Manchurian affair was occasioned solely by the violent and provocative attack launched by the Chinese Army on the Railway Zone. Certain small contingents of Japanese soldiers still remaining at a few points outside that Zone are insistently demanded by the danger to which the large population of Japanese in that region are exposed in life and property. The presence of such a limited number of troops is quite incapable of being represented as a means of dictating to China Japan's terms for the settlement of the present difficulties. Nothing is farther from the thoughts of Japan than to bring armed pressure to bear upon China in the course of these negotiations.

3. The Japanese Government have on various occasions given expression to their firm determination to suffer no abridgment or diminution of the rights and interests of Japan which are vital to her national existence, and which are woven into the complex fabric of her political and economic relations with China. Unfortunately, the so-called "recovery of rights" movements in China have recently attained extravagant developments, while feelings antagonistic to Japan have been openly encouraged in the text books used in various schools in China, and have become deeply seated in the Chinese mind. In defiance of treaties, and regardless of all history, a vigorous agitation has been carried on in China with the object of undermining the rights and interests of Japan, even the most vital. As things stand at present, the complete withdrawal of Japanese troops to the South Manchuria Railway Zone, under the mere assurance of the Chinese Government, would create an intolerable situation, exposing Japanese subjects to the gravest dangers. The risk of such dangers is clearly evidenced by past experience and by the conditions which actually obtain in China.

4. The Japanese Government are persuaded that in the present situation, the safety of Japanese subjects in Manchuria can hardly be ensured without provision being made to remove the national antipathies and suspicions existing in the mutual relations of the two Powers. With this end in view, they have already expressed, in the Note of the Minister for Foreign Affairs of October 9 to the Chinese Minister at Tokyo, their readiness to enter into negotiations with the Chinese Government on certain basic principles that should regulate the normal inter-relationship between the two countries. That Note was communicated at the time to the Council of the League. Convinced that this method of procedure is alone calculated to open out a way to save the situation, the Japanese Government have consistently held to their proposals in that sense throughout the recent discussions at the Council of the League. The basic principles which they have had in mind relate to:

- (1) Mutual repudiation of aggressive policy and conduct.
- (2) Respect for China's territorial integrity.
- (3) Complete suppression of all organized movements interfering with freedom of trade and stirring up international hatred.
- (4) Effective protection throughout Manchuria of all peaceful pursuits undertaken by Japanese subjects.
- (5) Respect for the treaty rights of Japan in Manchuria.

The Japanese Government believe that all these points, being in entire accord with the aims and aspirations of the League of Nations and embodying the natural basis upon which peace in the Far East must depend, will com-

mend themselves to the approval of the public opinion of the world. The refusal by the Japanese representative to lay these points on the table of the Council was due to the consideration that they should, in their nature, properly form the subject of negotiations between the parties directly involved.

5. With the future welfare of both nations in mind, the Japanese Government feel that the urgent need at the present moment is to arrive at a solution of the problem by the cooperation of the two countries, and thus to seek the path of common happiness and prosperity. Their willingness remains unaltered and unabated to open negotiations with the Chinese Government on the subject of the basic principles above formulated relating to normal relations between Japan and China, and on the subject of the withdrawal of Japanese troops to the South Manchuria Railway Zone.

No. 7 Statement of the President of the Council on
the Japanese Statement — October 29, 1931

As President of the Council of the League of Nations, I have examined most carefully the Japanese Government's declaration dated October 26, which Your Excellency was good enough to communicate by telegram to me and to the other members of the Council through the Secretary-General.

I feel I must submit to you certain observations on this communication.

Since the last meeting of the Council, when the draft resolution on which my colleagues had asked me to report secured the approval of all the members of the Council except the Japanese Representative, the position in regard to the question submitted to us for consideration has become clear. It may be stated as follows:

Independently of the vote taken at the last Council meeting, which retains its full moral force, we still have before us, from the juridical standpoint, a valid resolution, namely, that which was unanimously adopted on September 30, and which retains its full executory force.

In that resolution the Council noted the statement made by the Japanese Representative that the Japanese Government:

"Will continue as rapidly as possible the withdrawal of its troops, which has already been begun, into the railway zone in proportion as the safety of the lives and property of Japanese nationals is effectively assured and that it hopes to carry out this intention in full as speedily as may be."

No indication whatever was given at that time by the Japanese Representative that matters such as an agreement as to the treaty rights of Japan in Manchuria were in any way connected with the safety of the lives and property of Japanese nationals.

It is further to be noted that in the two draft resolutions submitted to the Council on the 24th of October, the first three paragraphs are exactly the same, Your Excellency having withdrawn the amendment to Paragraph 3 which you had submitted. It may therefore be assumed that these paragraphs express the will of the two parties. In their declaration of October 26, the Japanese Government further stated that, when it referred to certain fundamental principles it had in mind the following:

1. Mutual repudiation of aggressive policy and conduct — Paragraph 2 of the two drafts submitted on October 24 states that "the two Governments are bound not to resort to any aggressive policy or action."

2. Respect for China's territorial integrity. Paragraph 3 of the two drafts records an undertaking to that effect.

3. Complete suppression of all organized movements interfering with freedom of trade and stirring up international hatred. Paragraph 2 of the two drafts declares that the two Governments "are bound to take measures to suppress hostile agitation."

4. Effective protection throughout Manchuria in order to allow Japanese nationals there to engage in any peaceful pursuits. Paragraph 1 of both drafts declares that the Chinese Government are pledged to the effective protection of Japanese subjects residing in Manchuria.

The fact that on the one hand the Chinese Representative accepted the terms of the resolution which I proposed on behalf of my colleagues and that on the other hand the counter-draft of the Japanese representative contained the three paragraphs to which I have referred show that the two Governments are in complete agreement on these four points.

There remains only the last point: "Respect for treaty rights of Japan in Manchuria."

With regard to this point I would call Your Excellency's attention to the letter addressed to me by the Chinese Representative on the 24th of October in which Dr. Sze declares that:

'China, like every member of the League of Nations, is bound by the Covenant to a "scrupulous respect for all treaty obligations." The Chinese Government for its part is determined loyally to fulfill all its obligations under the Covenant. It is prepared to give proofs of this intention by undertaking to settle all disputes with Japan as to treaty interpretation by arbitration or judicial settlement, as provided in Article 13 of the Covenant.'

It therefore appears to me, and I feel sure that my colleagues on the Council, including, I trust, Your Excellency, will agree that the Chinese Government have given to the Council of the League, on which Japan has a permanent representative, pledges which cover the various fundamental principles raised by the Japanese Government.

In these circumstances I feel confident that the Japanese Government, being desirous of fulfilling the undertaking which it solemnly contracted under the terms of the Resolution of September 30 and which, moreover, it repeatedly confirmed by its declarations during the last session of the Council, at the meetings of October 22, 23 and 24, will continue as rapidly as possible the withdrawal of its troops into the railway zone and that it will thus be able to carry out that intention to the full in the shortest possible time.

In view of the extreme importance which your Government attaches to the safety of the lives and property of Japanese nationals in the territories evacuated by its troops, I venture to call Your Excellency's attention to Paragraph 5 of the Resolution submitted to the Council on October 24, which recommends the two Governments:

"To appoint immediately representatives to settle the details relating to the carrying out of the evacuation and to the taking over of the evacuated territories, in order that these operations may be carried out in a regular manner and without delay."

No. 8 League Council's Second Resolution on Manchurian Incident
unanimously approved — December 10, 1931

* The Council.

* (1) Reaffirms the resolution passed unanimously by it on September 30th, 1931, by which the two parties declare that they are solemnly bound; it therefore calls upon the Chinese and Japanese Governments to take all steps necessary to assure its execution, so that the withdrawal of the Japanese troops within the railway zone may be effected as speedily as possible under the conditions set forth in the said resolution;

* (2) Considering that events have assumed an even more serious aspect since the Council meeting of October 24;

* Notes that the two parties undertake to adopt all measures necessary to avoid any further aggravation of the situation and to refrain from any initiative which may lead to further fighting and loss of life;

* (3) Inhibes the two parties to continue to keep the Council informed as to the development of the situation;

* (4) Inhibes the other Members of the Council to furnish the Council with any information received from their representatives on the spot;

* (5) Without prejudice to the carrying out of the above-mentioned measures;

* Desiring, in view of the special circumstances of the case, to contribute towards a final and fundamental solution by the two Governments of the question at issue between them:

* Decides to appoint a Commission of five members to study on the spot and to report to the Council on any circumstance which affecting international relations threatens to disturb peace between China and Japan, or the good understanding between them upon which peace depends;

* The Governments of China and of Japan will each have the right to nominate the member to ~~nominate~~ the Commission.

* The two Governments will afford the Commission all facilities to obtain on the spot whatever information it may require;

* It is understood that should the two parties initiate any negotiations, those which are still within the scope of the terms of reference of the Commission, and which are within the competence of the Commission in connection with the military arrangements of either party;

* The appointment and deliberations of the Commission shall not prejudice in any way the undertaking given by the Japanese Government in the resolution of September 24th in regard to the withdrawal of the Japanese troops within the railway zone.

* (6) Requests now and to make every effort which will be held in ~~view~~ by the Council, which retains charge of the matter, under the President to follow the question and to announce it ~~to the Council~~.

No. 9 Third Statement of the Japanese Government issued under
in Chinchow engagement — December 27, 1931

1. The maintenance of peace and order in Manchuria is a matter in which the Government of Japan has always attached the utmost importance. The fact is that since the outbreak of the Manchurian Incident, the Japanese Government has been endeavoring to settle the situation in Manchuria by peaceful means.

and to prevent Manchuria from becoming the battle-ground of militarist factions. Only if peace and order prevail, can the country be safe either for the Chinese or for the foreigner; in the absence of peace and order it is futile to speak of the Open Door or of equal opportunity for the economic activities of all nations. But the events of September last have, in spite of her wishes, created a new responsibility and a wider sphere of action for Japan. Attacked by Chinese violence, her acts of necessary self-protection resulted, to her considerable embarrassment, in her having to assume the duty of maintaining public order and private rights throughout a wide area.

The local authorities might have been expected to co-operate in upholding law and order. But, in fact, they almost unanimously fled or resigned. It was Japan's clear duty to render her steps of self defence as little disturbing as possible to the peaceable inhabitants of the region. It would have been breach of that duty to have left the population a prey to anarchy—deprived of all the apparatus of civilized life. Therefore, the Japanese military have, at considerable sacrifice, expended much time and energy in securing the safety of persons and property in the districts where the native authorities had become ineffective. This is a responsibility which was thrust upon them by events, and one which they had as little desire to assume as to evade.

2. But further than that, not only did the existing machinery of justice and civilized existence break down, but the criminal activities of the bandits who infest the country were naturally stimulated. The prestige and efficiency of the Japanese troops were for some time sufficient to keep them in check, and to maintain order wherever they were stationed. Since the beginning of November, however, a sudden increase in the activities of the bandits has been noted in the vicinity of the South Manchuria Railway Zone, and especially to the west of the Main Line,—and it has been established by demonstration, by the examination of arrested individuals, by documents which have been seized, and from other sources of information, that their depredations are being carried on through the systematic intrigues of the Chinchow military authorities.

Reports have, indeed, been made by certain of the foreign military observers suggesting that they found no evidence of any preparations being made by the Chinese for an attack. But as a matter of fact the military authorities at Chinchow are maintaining large forces at various points, west of Tahushan, on the Peiping-Mukden Railway and in the adjacent territory. Reconnaissances conducted by the Japanese army have not only definitely confirmed the assurance that these forces are engaged in making preparations for war, but have also revealed the fact that their outposts are stationed along a line connecting Tienchuntai, Taian, Peichipao, and other points on the right bank of the River Liao, well advanced from Chinchow. It will readily be admitted that such a situation in itself constitutes a constant menace to the Japanese contingents disposed along the South Manchuria Railway and elsewhere, but the danger is even greater than it seems at first sight, if the further fact is taken into consideration that the Peiping-Mukden Railway places the cities of Mukden, Yinkao and Hopei within a short journey of three or four hours from Tahushan and Kuopantsu (which are bases of the Chinese forces).

The bandit forces (which include a large number of officers and men discharged from the Chinese army), are daily gaining strength. For instance,

the number of bandits on the western flank of the main line of the South Manchuria Railway was estimated early in November at 1,300, whereas investigations conducted in early December revealed the fact that they numbered over 30,000. Moreover, they are banded together in large groups comprising several hundreds or even thousands, each equipped with machine guns and trench mortars, so that they can no longer be distinguished from regular troops. This points unmistakably to the existence of a state of things in which the so-called bandits are directed and provided with arms by the Chinchow military authorities. According to the statistics compiled in the Japanese Consulate-General at Mukden, the cases of bandit-raids in the vicinity of the Railway Zone numbered 278 during the first ten days of November, 341 during the second ten days, 438 during the final ten days of the month, and 477 during the first ten days of December, thus reaching the astounding total of 1,534 in forty days. It is the usual strategy of these bandit-troops when attacked by our men, to fly westward, or to take refuge on the right bank of the River Liao, where our army, anxious to avoid any collision with the Chinese regulars, has made it a point to refrain from further pursuit.

3. On November 24, the Foreign Minister of China made an intimation to the Ministers of Visiting of the principal Powers to the effect that the Chinese Government, in order to avoid any collision between Chinese and Japanese forces, were prepared to withdraw their troops to points within the Great Wall. Upon a proposal to that effect being officially made on Nov. 25, this Government signified their readiness to accept it in principle,—at the same time instructing the Japanese Minister at Shanghai, and the Legation at Peking, to open conversations on the matter with the Chinese Foreign Minister and with Marshal Chang Hsueh-liang respectively.

The Japanese Minister in China had several conferences accordingly with the Chinese Foreign Minister between November 25 and December 2. In the midst of the conversations, the latter withdrew the overtone, and declined further negotiation. Marshal Chang Hsueh-liang, with whom our representative at Peking carried on negotiations from December 4 onwards, either directly or through the Marshal's subordinates, expressed on Dec. 7 his willingness to call in his Chinchow forces as a spontaneous move of withdrawal, and he has since given repeated assurances as to the speedy execution of his promise. In point of fact, however, there is no sign of any such withdrawal. On the contrary, the defenses of Chinchow have since been strengthened.

4. Accordingly, at the present moment, now almost a month subsequent to the initiation of these negotiations for the withdrawal of the Chinchow troops, there appears no prospect of obtaining any tangible result, owing entirely to the want of good faith on the Chinese side. At the same time, the increased activity, now described, on the part of remaining bandit elements is bringing about a complete destruction of all peace and security throughout the whole extent of South Manchuria. In these circumstances, the Japanese forces have now begun a general movement with a view to a campaign against the bandits on a more extensive scale than hitherto. It is obvious from what has been said above, that the Japanese army, if it is to achieve anything like adequate success, will have to advance to the points west of the River Liao where the bandits have their base. Certainly, the Japanese forces, in defiance of the resolutions of the League Council adopted on

September 30 and December 10, are not in the field against the regular Chinese forces; but in the present abnormal conditions prevailing in Manchuria, the necessities of the case compel them to continue their operations against lawless elements. This is a point on which the Representative of Japan at the recent session of the Council of the League held on the December 10 made a definite declaration. So long as the Chinchow military authorities, while simulating an unaggressive attitude, continue to instigate and manipulate the movements of bandit organizations against the Japanese army as well as Japanese and other peaceable inhabitants, and so long as the officers and men of the Chinchow army mingle in groups and so render it impossible to distinguish the latter from regular troops, so long must the responsibility for the consequences of any action which may be entailed upon the Japanese army in self-defence rest entirely with the Chinese.

5. During the course of the past month, in spite of the indignation aroused throughout the country by the behaviour of the Chinchow military authorities, and in accordance with the constant desire of the Japanese Government to abide scrupulously by the resolutions of the League Council, the operations of the army against the bandits have been restrained within comparatively narrow limits, and the Government have done everything in their power to devise means for forestalling a collision between the forces of the two countries in the course of an eventual anti-bandit campaign. The Japanese Government are confident that their prolonged forbearance and their desire strictly to adhere to the stipulations of international engagements will not fail to command recognition by the public opinion of the world.

No. 10 Identical Note of the United States Government to Japan and China following the withdrawal of Marshal Chang Hsueh-liang's troops from Chinchow — January 7, 1932

With the recent military operations about Chinchow, the last remaining administrative authority of the Government of the Chinese Republic in South Manchuria, as it existed prior to September 18, 1931, has been destroyed. The American Government continues confident that the work of the neutral commission recently authorized by the Council of the League of Nations will facilitate an ultimate solution of the difficulties now existing between China and Japan. But in view of the present situation and of its own rights and obligations therein, the American Government deems it to be its duty to notify both the Government of the Chinese Republic and the Imperial Japanese Government that it can not admit the legality of any situation de facto nor does it intend to recognize any treaty or agreement entered into between those governments, or agents thereof, which may impair the treaty rights of the United States or its citizens in China, including those which relate to the sovereignty, the independence, or the territorial and administrative integrity of the Republic of China, or to the international policy relative to China, commonly known as the open-door policy; and that it does not intend to recognize any situation, treaty, or agreement which may be brought about by means contrary to the covenants and obligations of the pact of Paris of August 27, 1928, to which treaty both China and Japan, as well as the United States, are parties.

No. 11 Reply of Japanese Government to the United States —
January 16, 1932

I have the honor to acknowledge the receipt of Your Excellency's Note dated the 8th January, which has had the most careful attention of this Government.

The Government of Japan were well aware that the Government of the United States could always be relied upon to do everything in their power to support Japan's efforts to secure the full and complete fulfilment in every detail of the Treaties of Washington and the Kellogg Treaty for the Outlawry of War. They are glad to receive this additional assurance of the fact.

As regards the question which Your Excellency specifically mentions of the policy of the so-called "Open Door," the Japanese Government, as has so often been stated, regard that policy as a cardinal feature of the politics of the Far East, and only regrets that its effectiveness is so seriously diminished by the unsettled conditions which prevail throughout China. In so far as they can secure it, the policy of the Open Door will always be maintained in Manchuria, as in China proper.

They take note of the Statement by the Government of the United States that the latter can not admit the legality of matters which might impair the treaty rights of the United States or its citizens or which might be brought about by means contrary to the Treaty of August 27, 1905. It might be the subject of an academic doubt, whether in a given case the impropriety of means necessarily and always avoids the ends secured, but as Japan has no intention of adopting improper means, that question does not practically arise.

It may be added that the Treaties which relate to China must necessarily be applied with due regard to the state of affairs from time to time prevailing in that country, and that the present unsettled and distracted state of China is not what was in the contemplation of the High Contracting Parties at the time of the Treaty of Washington. It was certainly not satisfactory then; but it did not display that disunion and those antagonisms which it does to-day. This can not affect the binding character of the stipulations of Treaties; but it may in material respects modify their application, since they must necessarily be applied with reference to the state of facts as they exist.

My Government desire further to point out that any replacement which has occurred in the personnel of the administration of Manchuria has been the necessary act of the local population. Even in cases of hostile occupation — which this was not — it is customary for the local officials to remain in the exercise of their functions. In the present case they for the most part fled or resigned; it was their own behaviour which was calculated to destroy the working of the apparatus of government. The Japanese Government can not think that the Chinese people, unlike all others, are destitute of the power of self-determination and of organizing themselves in order to secure civilized conditions when deserted by the existing officials.

While it need not be repeated that Japan entertains in Manchuria no territorial aims or ambitions, yet, as Your Excellency knows, the welfare and safety of Manchuria and its accessibility for general trade are matters of the deepest interest and of quite extraordinary importance to the Japanese people. That the American Government are always alive to the exigencies of Far

Eastern questions has already been made evident on more than one occasion. At the present juncture, when the very existence of our national policy is involved, it is agreeable to be assured that the American Government are devoting in a friendly spirit such sedulous care to the correct appreciation of the situation.

I shall be obliged if Your Excellency will transmit this communication to your Government, and I avail myself, etc., etc.

No. 12 Proclamation of the Establishment of Man-chu-kuo
by the Government of Manchuria

March 1st, 1932
(First Year of Tatung)

The territory of Manchuria and Mongolia is a region remote and isolated on the Continent of Asia. In the records of the past, it is noted that its history is long, and often the country experienced unifications and disruptions within its borders; that the soil of the land is fertile and the people had exhibited honesty and simplicity in their manners and customs. After, however, opening the country to intercourse with outside countries the population increased in numbers and the products in volume, thus turning the country into a land of abundance and promise.

On the contrary, since the establishment of the Republic following the Revolution of 1911, the military factions of the Eastern Provinces, taking advantage of civil wars in China proper, usurped administrative power having the Three Eastern Provinces brought under their control. Twenty years will have been passed since the revolution, during which time war-lords have sprung up in succession who completely disregarding the welfare of the people indulged themselves in greed, extravagance and dissipation. While they were bent upon the pursuit of self-interest and greed, the people, on the other hand, were subjected to extreme torture with burden of over-taxation at the will of the war-lords. As a result the currency system was completely ruined, and the business conditions of the country became stagnant and finally decayed.

At this critical time, again, the war-lords giving rein to sheer ambition, advanced their army south of the Great Wall, thus causing unnecessary strife and killing and wounding a large number of people. Although they met defeat many a time, never did they come to a realization of their own folly. They lost the faith and respect of the foreign powers. They engaged in wars with neighbouring countries. With utter disregard of the spirit of friendliness and cordiality of foreign countries, they encouraged anti-foreign movements.

Laxity in the police administration provoked disturbances in the country permitting ravages by thieves and bandits. The acts of looting, arson and massacre by these lawless elements drove the entire population to terror exposing them to hunger in all corners of the country. To leave these thirty million people of Manchuria and Mongolia in their hands means their exposure to atrocity and lawlessness and finally to their extinction. It is the peoples' desire to extricate themselves from this extreme danger and horror. Happily through the aid of the army of a neighbouring country, it was made possible to expel these corrupt elements from the area where

they had built a stronghold for many years past. Thus the home of misrule and corruption is now put to a thorough cleaning. This we believe is a Heaven-sent opportunity to the people of Manchuria and Mongolia for their resurrection. We should rise to the occasion and strive for our regeneration and rebirth with courage and determination.

In turning our eyes to China proper we have noted the rival war-lords engaged in intermittent warfare ever since the revolution took place. In late years despotic rule over the country was exercised by one party alone. Under the guise of the Three Principles of the People, the people are put to death in the name of Min-shen, their leaders are bent upon seeking only their self-interest and greed in the name of Min-chuan, and further in their eyes there is nothing but their own party, although they profess the principle of Min-tsu. In this manner, though they profess that the country is ruled with fairness and equality, the practice of the party leaders is in utter contradiction to what they profess, thus not only deceiving themselves but the people at the same time.

Of late years, internal strife has become frequent, rivals aiming to partition each other's territory. It is to be noted that even the existence of the party itself is now in danger. In these circumstances, it is impossible to expect from them any consideration for the national welfare. At this time the country is overrun by Communist bands whose venomous influence is fast eating into the flesh of the people and the very heart of the national government. Facing these deplorable conditions we are compelled to look back to the days of the Ching and Min dynasties and also of the Yao and Shun, and lament the fact how distantly we have departed from the golden age in our history. The fact should be noted that this feeling of ours is equally shared by friendly nations abroad.

The result of twenty long years' experiences has convincingly taught us that we must bravely face the realities and take the task upon ourselves to reform our national life and seek the revival of the old golden age. The fact must be borne in mind, however, that evil influences are still with us, and should we evade the issue at this time and fail to check the spread of Communism, it is too obvious that the destruction of the nation is inevitable. At this critical moment, unless the people of Manchuria and Mongolia awake to a realization of the heaven-given opportune call for their liberation from the most corrupt political state their extinction will be also inevitable.

After thorough deliberations for several months past at a number of meetings by the leaders of Feng-tien, Kirin, Heilung-kiang and Jehol Provinces, Harbin Special District and those under various banners of Mongolia, they have come to the conclusion by unanimity to adopt a practical application of good rule rather than a display of words in the administration of state affairs. Under whatever form of government, the primary duty of the state is to give assurance of peace and security to the people.

Manchuria and Mongolia had been in the past a separate state detached from China proper. By necessity of the present situation we are in a position to strive for national independence. With the will of the thirty million people, we hereby declare on this day that we sever our relations with the Republic of China and establish the State of Manchu-Kuo, and that we hereby make a public proclamation of the fundamental principles on which this new state is established.

It is believed that statecraft is founded upon the principle of Tao, or the Way, and Tao is founded upon Tien, or Heaven. The principle on which this new state is founded is to follow Tien, or Heaven, and the people shall have peace and security. The government must conform to the will of the people and no personal views permitted to prevail in the affairs of the state.

There shall be no discrimination among those people who now reside within the territory of the new state with respect to race and creed, including the races of the Hans, Manchus, Mongols, Japanese and Koreans; nationals of other countries may upon application as permanent residents acquire equal treatment with others and their rights shall be guaranteed thereby.

The internal policies shall be to reject the policies adopted in the dark days of the past, to revise laws and enforce local autonomy, to draft able men into the service of the government and elevate officers deserving promotion, to encourage industry, unify the currency system, open up the natural resources, maintain the standard of living, adjust and regulate the administration of the police, eliminate banditry, and to further promote and popularize education, to respect Li-chiao, the teachings of Confucianism and to apply the principle of Wan-tao Chu-i and practice its teachings. Thus it is designed to give the people enlightenment who live within the state and maintain the honour of perpetuating the peace of Eastern Asia, thus setting a model example of good government to the world.

The foreign policies of the new state shall be to seek and further promote cordial relations with foreign powers, winning their faith and respect, and to strictly observe international conventions. The debt obligations accruing within the territory of Manchuria by treaty stipulations with various countries prior to the establishment of the new state shall be acknowledged according to the usual international conventions. Foreign investments by all nationalities uniformly shall be welcomed for the furtherance of trade and exploitation of natural resources, thus bringing the principles of the open door and equal opportunity and the like to a fuller realization.

The foregoing articles thus proclaimed are the fundamental principles concerning the establishment of the new state. The newly-formed government shall bear all responsibilities thereof from the day of the establishment of the new state, and the government hereby declare on oath to the thirty million people, with sincerity and faith, that these shall be fulfilled.

No. 13 Note of the new Manchuria State seeking Recognition
by Foreign Powers — March 12, 1932

Sir:

I have the honour to inform you that the Provinces of Fengtien, Kirin, Heilungkiang and Jehol, the Tungsheng Special District and Mongolian Mungs (Leagues) under several Banners have united themselves to establish an independent government severing their relations with the Republic of China and have created "Man-Chu-Kuo" (State of Manchuria) on March 1, 1932.

It must be known to you that the old military authorities, headed by Chang Hsueh-liang, that administered the North-eastern Provinces, sought only their self-interest and failed to give adequate consideration of the welfare of the people; further, that the entire populace was subjected to extreme sufferings through outrageous exactions resulting from the corrupt discipline in official circles; and that the relations with foreign nations

were greatly impaired through the enforcement of anti-foreign policies. Furthermore, in China proper there is to be found no unified and stable government, due to constant factional strife of murderous nature among various military leaders of their own race, and not a day of peace is to be seen by the people at large.

Thereupon, the people of Manchuria, at the opportune time when the old military power was overthrown, established a new State with unity of endeavour and a single purpose.

The Government of Manchuria proposes to perfect the institution of laws and to establish security for the life of the people and to exert all possible power for the promotion of their happiness and peace.

As regards the relations with foreign nations, it has been definitely decided that diplomatic intercourse shall conform to the several principles hereinafter stated:

1. That the Government shall conduct the affairs of the State according to the primary principle of faith and confidence and the spirit of harmony and friendship, and pledges itself to maintain and promote international peace.
2. That the Government shall respect international justice in accordance with international laws and conventions.
3. That the Government shall succeed to those obligations incurred by the Republic of China by virtue of treaty stipulations with foreign countries in the light of the internal laws and conventions and that these obligations shall be faithfully discharged.
4. That the Government shall not infringe upon the acquired rights of the peoples of foreign countries within the limits of the State of Manchuria, and further that their persons and properties shall be given full protection.
5. That the Government welcomes the entry of the peoples of foreign nations into, and their residence in, Manchuria and that all races shall be accorded equal and equitable treatment.
6. That trade and commerce with foreign countries shall be facilitated thus contributing to the development of world economy.
7. That with regard to the economic activities of the peoples of foreign nations within the State of Manchuria, the principle of the Open Door shall be observed.

It is the earnest desire of this Government that your Government will fully understand the purport of the establishment of the State of Manchuria hereinbefore stated and that formal diplomatic relations be established between your Government and the State of Manchuria.

With the assurance of my highest esteem and distinguished consideration.

Respectfully,

(Signature)

Hsueh Chun-ann

Minister for Foreign Affairs.

March Twelfth, First Year of Taitung.

No. 14 Preliminary Report submitted by the League Commission of Enquiry from Mukden — April 30, 1932

I.

The Commission of Enquiry, appointed in conformity with Paragraph 5 of the Council Resolution of December 10th, arrived in Mukden on April 21st, and is now occupied with its investigations on the spot. Since its arrival in the Far East, the Commission has investigated the general conditions prevailing in Japan and China in so far as these may affect its work. It visited Tokio, Osaka, Shanghai, Nanking, Hankow, Tientsin and Peiping, conferred with members of both Governments, and interviewed representatives of many interested groups and classes in both countries. In Peiping it met representatives of the authorities who had been in charge of the Three North-Eastern Provinces prior to September 19th. Since arriving in Mukden the Commission has interviewed, amongst others, the Acting Consul-General of Japan and General Honjo, Commander-in-Chief of the Japanese forces in Manchuria.

The declaration of the President of the Council with reference to the Resolution of December 10th, directed the Commission to submit to the Council as soon as possible after its arrival on the spot a Preliminary Report on the existing situation in so far as this affects the fulfilment or otherwise by the Governments of China and Japan of certain undertakings embodied in the Resolution of September 30th, and reiterated in the Resolution of December 10th. These undertakings are:

- (a) that the Japanese Government "will continue as rapidly as possible the withdrawal of its troops into the Railway Zone in proportion as the safety of the lives and property of Japanese nationals is effectively assured."
- (b) that the Chinese Government "will assume responsibility for the safety of the lives and property of Japanese nationals outside that zone as the withdrawal of the Japanese troops continues and the Chinese local authorities and police are re-established."
- (c) that both Governments "will take all necessary steps to prevent any extension of the scope of the incident or any aggravation of the situation."

The Commission is not yet in a position to submit full information on these three points. It must reserve for a later report the consideration of the undertaking of both parties "to prevent any extension of the scope of the incident or any aggravation of the situation," but as the Council is awaiting an early report on the existing situation in so far as it bears on the undertakings of Japan and China referred to above under (a) and (b), the following information is now transmitted.

II.

ACTUAL SITUATION IN MANCHURIA

Information regarding the military situation in the Three North-Eastern Provinces has been provided by the Japanese military authorities. It is given under 5 heads, the first three relating to the Japanese troops and other forces co-operating with them, the last two relating to forces opposed to them.

Information with regard to 4) has also been obtained from a Chinese source.

It will be noted that in the classification adopted a new feature appears which was not contemplated by the Council in September last. In the course of the events which are the subject of the present enquiry the local administration was transformed. "Committees for the Preservation of Peace and Order" were first established with Japanese help in the last month of 1931. These were subsequently superseded by an authority which was established on March 9, 1932, as the "Manchukuo Government." This explanation is necessary in order to account for the use of the expression "Manchukuo Army" by the Japanese military authorities.

1) Japanese Regular Forces

On September 18th the number of Japanese troops in the South Manchuria Railway Zone is stated to have been 11,500.

The numbers given for the first part of December are: 4,000 inside and 8,500 outside the South Manchuria Railway Zone, making a total of 12,500.

For the latter part of April the numbers are given as 6,500 inside and 15,800 outside the South Manchuria Railway Zone in the regions of Taisihar, the Tannin-Liangyun Railway, the Mukden-Shanhaikwan Railway, the Chinese Eastern Railway east of Harbin, and the northern section of the Kirin-Tunhua Railway, making a total of 22,300.

2) "Manchukuo Army"

The troops designated by the Japanese military authorities as the "Manchukuo Army" are said to have been formed partly of Chinese regular troops stationed in Manchuria before September 18th and subsequently reorganised, and partly of freshly recruited soldiers. This force has been created with the help of the Japanese military authorities. Many Japanese officers, either retired or still belonging to the Japanese Army, have been engaged as military advisers and their number is increasing. Contracts with some of these officers have been made for one year. A Japanese staff officer has been appointed adviser to the "Department of Defense of the Manchukuo Government" at Chungchun.

These troops are stationed or operating chiefly in the regions of Mukden, Chungchun, Tannin, Taisihar, Tunhua, and along the Chinese Eastern Railway, particularly in the eastern branch, where they are engaged against forces not recognizing the authority of the "Manchukuo Government." The total number of the "Manchukuo Army" is stated to have been 25,000 men at the end of March.

The actual number is not reliable owing to the uncertainty of the information regarding these troops at the present time.

3) Local police force

The number of this force is given as about 125,000 of whom 20,000 are local recruits. The police force is stated to be in the main a continuation of that existing before September 18th. Its reorganization is taking place with the help of Japanese officials.

4) Forces opposed to the Japanese troops and the "Manchukuo Army"

The Commission was informed by Major-General Chang Hsueh-liang that the forces outside the Great Wall on September 18, including the anti-Japanese forces, numbered 20,000 in Fengtien Province, 20,000 in Kirin Province, and 20,000 in Heilongjiang, making a total of 60,000, of which about 20,000 from Fengtien Province were subsequently withdrawn inside the

Wall. This would leave 140,000 outside the Wall.

The Japanese military authorities give the number of troops now remaining outside the Wall as 110,000 of which they state that 60,000 joined the "Manchukuo Army", 30,000 remained in the north-east of Kirin in opposition to the Japanese troops and to the "Manchukuo Army" and about 20,000 may have joined the so-called Volunteer Corps. The situation is described by them as the following;

(a) Portions of the former Chinese Army not recognizing the authority of the "Manchukuo Government";

- (1) A force north-east of Harbin, estimated at 30,000 (stated officially by the Chinese to be composed of the Kirin Self-Defence Army under the command of General Li Tu and of the Chinese Eastern Railway guards under the command of General Ting Chiao);
- (2) A force under General Li Hai-cheng in the region north-west of Mukden, estimated at 10,000;
- (3) Remnants of the 9th Cavalry Brigade (on the north-eastern frontier of Jehol), estimated at 3,000;

(b) Volunteers;

- (1) The so-called North-Eastern Army of anti-Japanese volunteers in the western parts of Fengtien Province, mainly south of Chinchow, estimated at between 15,000 and 25,000 men.
- (2) The so-called National Volunteer Army of the North-East, under the command of Wu Cha-hsin, mainly operating around Mukden. The present strength of this force, which has had several encounters with the Japanese troops, is unknown.
- (3) The Volunteer Army of Jehol.

This comparatively well-disciplined body of some 3,000 men under the command of Tang Yu-lin, which comprises remnants of the cavalry of Chang Hsueh-liang's 1st and 2nd Army, is reported to be active on the border of Jehol and Fengtien Provinces;

- (4) Several minor Volunteer Corps operating partly in the Shanhaikwan region, partly between Tunhua and Tienpaoshan, where they are in touch with regular forces hostile to the "Manchukuo Government."

The total strength of these irregular forces under Paragraphs (1) to (4) is said to be about 40,000 men.

5) Bandits.

The bandits, who are not organized primarily for political purposes, appear to have increased in number, due to the disturbed conditions. They are reported by the Japanese to be scattered throughout Manchuria, especially in the part south of the Chinese Eastern Railway. The Japanese estimate their total number as 40,000. In addition to these, a special bandit force of 12,000 north and east of the town of Kirin is said to be co-operating with the Chinese forces north-east of Harbin mentioned under 4) (a) (1).

Armed conflicts between these various forces are frequent. There are bandit raids; attempts of the Japanese soldiers and of the "Manchukuo" troops to suppress these; and fighting between the various military forces attempting to maintain the new regime and those opposed to it. The result is loss of life, destruction of property, and general sense of insecurity.

III.

The Commission purposely refrains from commenting at this stage on the facts and figures above recorded. The Japanese Authorities maintain that they can not at present withdraw their troops without endangering "the safety of the lives and property of their nationals" outside the railway zone. They appear to consider that this withdrawal must depend on the progress of the reorganisation of the troops described as the "Manchukuo Army." The Chinese Government does not now exercise authority in any parts of Manchuria, and as events have developed recently the practical question of the fulfilment of its responsibility has not arisen. The possible and equitable measures which may restore peace and security and create a reasonable measure of goodwill throughout Manchuria will be considered by the Commission in its final report.

The Commission will visit Changchun next week, and will continue its investigation in other parts of Manchuria.

No. 15 The Sino-Japanese Agreement Ending Hostilities
at Shanghai Signed on May 5, 1932

ARTICLE I.—The Japanese and Chinese authorities having already ordered cease fire, it is agreed that the cessation of hostilities is rendered definite as from May 5th, 1932. The forces of the two sides will so far as lies in their control cease around Shanghai all and every form of hostile act. In the event of doubts arising in regard to the cessation of hostilities, the situation in this respect will be ascertained by the representatives of the participating friendly Powers.

ARTICLE II.—The Chinese troops will remain in their present positions pending later arrangements upon the reestablishment of normal conditions in the areas dealt with by this Agreement. The aforesaid positions are indicated in Annex I to this Agreement.

ARTICLE III.—The Japanese troops will withdraw to the International Settlement and the extra-Settlement roads in the Hongkew district as before the incident of January 28th, 1932. It is, however, understood that, in view of the numbers of Japanese troops to be accommodated, some will have to be temporarily stationed in localities adjacent to the above mentioned areas. The aforesaid localities are indicated in Annex II to this Agreement.

ARTICLE IV.—A Joint Commission, including members representing the participating friendly Powers, will be established to certify the mutual withdrawal. The Commission will also collaborate in arranging for the transfer from the evacuating Japanese forces to the incoming Chinese police, who will take over as soon as the Japanese forces withdraw. The constitution and procedure of this Commission will be as defined in Annex III to this Agreement.

ARTICLE V.—The present Agreement shall come into force on the day of signature thereof.

The present Agreement is made in the Japanese and Chinese and English languages. In the event of there being any doubts as to the meaning or any differences of meaning between the Japanese and Chinese and English texts, the English text shall be authoritative.

Done at Shanghai, this fifth day of May, nineteen hundred and thirty-two.
(Japanese and Chinese signatures)

In the presence of: (Signatures of Ministers of Great Britain, the United States of America, France, and Italy, in China)
Representatives of the friendly Powers assisting in the negotiations in accordance with the Resolution of the Assembly of the League of Nations of March 4, 1932.

ANNEX I

The following are the positions of the Chinese troops as provided in Article II of this Arrreement.

Reference, the attached Postal Map of the Shanghai District, scale 1/150,000.

From a point on the Soochow creek due south of Anting village north along the west bank of a creek immediately east of Anting village to Wanghsien-ch'iao, thence north across a creek to a point four kilometres east of Shatow, and thence north-west up to and including Hu-peikou on the Yangtze River.

In the event of doubts arising in regard thereto, the positions in question will, upon the request of the Joint Commission, be ascertained by the representatives of the participating friendly Powers, members of the Joint Commission.

ANNEX II

The following are the localities as provided in Article III of this Agreement.

The aforesaid localities are outlined on the attached maps marked A, B, C, and D. They are referred to as areas 1, 2, 3, and 4.

Area 1 is shown on Map "A." It is agreed (1) that this area excludes Woosung Village; (2) that the Japanese will not interfere with the operation of the Shanghai-Woosung Railway or its workshops.

Area 2 is shown on Map "B." It is agreed that the Chinese cemetery about one mile more or less to the northeast of the International race track is excluded from the area to be used by the Japanese troops.

Area 3 is shown on Map "C." It is agreed that this area excludes the Chinese village T'sao Chia Chai and the Sanyu Cloth Factory.

Area 4 is shown on Map "D." It is agreed that the area to be used includes the Japanese cemetery and eastward approaches thereto.

In the event of doubts arising in regard thereto, the localities in question will, upon the request of the Joint Commission, be ascertained by the representatives of the participating friendly Powers, members of the Joint Commission.

The withdrawal of the Japanese troops to the localities indicated above will be commenced within one week of the coming into force of the Agreement and will be completed in four weeks from the commencement of the withdrawal.

The Joint Commission to be established under Article IV will make any necessary arrangements for the care and subsequent evacuation of any invalids or injured animals that cannot be withdrawn at the time of the evacuation. These may be detained at their positions together with the necessary medical personnel. The Chinese authorities will give protection to the above.

ANNEX III

The Joint Commission will be composed of 12 members, namely one civilian and one military representative of each of the following; the Japanese and Chinese Governments, and the American, British, French and Italian Heads of Mission in China, being the representatives of the friendly Powers assisting in the negotiations in accordance with the Resolution of the Assembly of the League of Nations of March 4th. The members of the Joint Commission will employ such numbers of assistants as they may from time to time find necessary in accordance with the decisions of the Commission. All matters of procedure will be left to the discretion of the Commission, whose decisions will be taken by majority vote, the Chairman having a casting vote. The Chairman will be elected by the Commission from amongst the members representing the participating friendly Powers.

The Commission will in accordance with its decisions watch in such manner as it deems best the carrying out of Articles 1, 2 and 3 of this Agreement and is authorized to call attention to any neglect in the carrying out of the provisions of any of the three Articles mentioned above.

No. 16 Address of the Premier (Viscount Saito) in his capacity of Minister of State for Foreign Affairs, at the 62nd Session of the Imperial Diet, Relating to Shanghai Affairs, the Manchurian Incident, the League of Nations, Soviet Relations and other International Affairs — June 3, 1932

I have the privilege of reviewing on this occasion the latest developments in the foreign relations of this country.

We are all gratified to watch the rapid restoration of peaceful conditions in the Shanghai area, following the conclusion on May 5th of the Sino-Japanese Agreement for the cessation of hostilities. I may say that in the course of the negotiations leading up to this Agreement we encountered not a few difficulties, and that the earnest labours of the British Minister to China and the representatives of other friendly Powers on the spot, as well as our own attitude of fairness and rectitude, largely contributed to the final happy outcome. And I desire to avail myself of this opportunity to express my sincere gratitude to the officers and men of our army and navy who fought in the Shanghai area and rendered signal service to our fatherland. I also desire to express my profound sympathy with the victims of the bombing incident of April 29th, and particularly my infinite grief at the death of General Shirakawa, commander-in-chief of the Expeditionary Force.

According to the terms of the Agreement the Chinese troops are to remain at a prescribed distance from Shanghai, and the Chinese forces are to cease as far as it lies within their power, all hostile actions in Shanghai and its vicinity. Should the action of the Chinese army give occasion for apprehension, the representatives of the four Powers, Great Britain, the U.S.A., France and Italy, are to ascertain the situation. As long as these terms of the Agreement are observed, there is little likelihood, for the present at least, that any fresh disturbances will be caused by Chinese soldiers in the Shanghai district. In these circumstances it has been decided to call home the whole of our military forces relying, as stated in the declaration by the Minister of

War, published on May 11th, upon the operation of the Agreement and upon such action as the friendly Powers shall take in order to insure permanent peace at Shanghai. I am sure that the complete withdrawal of our troops will demonstrate, as nothing else could, the truth of the repeated declarations of our Government as to the absence of any political design in our recent expeditions. However, it is only the terms for ending hostilities between the Chinese and Japanese forces that have so far been arranged. No measures have yet been taken to establish permanent peace in the Shanghai district. It is absolutely necessary to take further steps in order to establish such conditions as will enable both Chinese and foreigners in Shanghai to live in safety and to pursue their business in peace if the prosperity of this great international metropolis built up by their peaceful labours for many decades is to be maintained. Indeed, if that city could be freed from the menace of such sporadic disturbances of various kinds as have occurred time and again in the past, it would prove a boon not only to its residents Chinese and foreign, but also to China and all the Powers interested in China. I cannot therefore but look eagerly forward to an early opening and complete success of the Round Table Conference, which is desired by the Japanese Government and which was contemplated in the resolution of the Council of the League of Nations adopted with the concurrence of China on February 29th.

In Manchuria we note that the new state is making steady progress with fresh zeal and a resolute will. I am well aware of the great interest which is naturally manifested by our people in the future of Manchukuo, and I believe that it is no longer possible to ignore the existence of that state in any international readjustments which may be made with reference to the Manchurian Incident. I believe that it is of the utmost importance for the tranquillity of the Far East as well as for the restoration of peace and prosperity in Manchuria that the new state should attain a healthy growth. Only the new government has not yet reached the stage at which it can command sufficient resources for the restoration of order, while the activities of soldier bandits and other lawless elements, often instigated from outside, are extremely difficult to suppress. Consequently, our troops in Manchuria are compelled to extend their necessary co-operation to the protective functions of the new government and to guard against any eventualities that might endanger the lives and property of our countrymen or eventuate in general disturbances on a major scale. Our profound thanks are due to the military and police forces, serving in Manchuria in the face of constant danger day and night and at the risk of their lives.

Precedents can easily be drawn from the history of other countries to show that political changes such as have taken place in Manchuria are bound to be accompanied by activities on the part of malcontents and lawless elements, even where no external instigation comes into play, and it takes some time in such cases before the governmental machinery of the new state can be fully set in order. I am strongly opposed to any impatient and impetuous attitude toward the progress of events in Manchuria. It is essential to give it time, and to address oneself to effecting a sure solution of the problems with which we are confronted.

In the course of the present affair it became necessary for the Japanese army to operate against soldier bandits in North Manchuria for the protection of Japanese residents there. That we have always paid due respect to the

legitimate rights and interests of the Soviet Union in that region, and have taken scrupulous care not to infringe or injure them, is clearly proved by the conduct of our army. Moreover, the Japanese Government have repeatedly assured the Soviet Government as to the true motive of our advance to the North, which does not extend beyond the protection of Japanese life and property. I am certain that the Moscow Government fully appreciate our position. Nevertheless, there are some who talk as though there were danger of war between Japan and Russia as a sequel to the Manchurian Incident. I am sure I can appeal to the good sense and discernment of our people not to be misled by such rumours.

The League of Nations, as you know, maintained a close watch over developments at Shanghai. During a temporary deadlock in the negotiations for the cessation of hostilities, the action of China, who laid the matter before the League, produced various complications. Nevertheless, as the success of the negotiations became practically assured, the League decided to tide over the crisis by relying upon the progress of affairs on the spot. On April 30th an extraordinary session of the Assembly was convoked, at which a resolution inviting a speedy settlement of the Shanghai negotiations was adopted, and matters were brought to a close. The Japanese Government, as they had previously entered a protest with regard to the application to the Sino-Japanese disputes of Article XV of the Covenant, expounded the stand thus taken up and abstained from voting on the resolution.

As regards the commission of the League which is engaged in conducting an investigation on the spot, we are extending to it all possible facilities at our disposal in order to help its members to fulfil their mission. I sincerely hope that the commissioners will form a correct and fair conception of the actual conditions of China and of Manchuria.

The outstanding issue, besides the Sino-Japanese Affairs, in our foreign relations to-day, is the matter of international political and economic readjustment. The Disarmament Conference which has been in session since last February, is largely concerned with this problem. This being the first great conference ever convened to deal with the problem of disarmament in general, covering land, sea and air forces, it is expected that its deliberations will last for some time. The Japanese Government intend to insist on their own points in accordance with their settled policy, and it is our sincere hope that the Conference will achieve the desired results in the interest of world economy and peace.

Finally, in regard to our economic relations with other countries, it cannot be denied that owing to the adoption by every country, in order to protect its own industries, of various measures without parallel in the past, serious obstacles have been put in the way of all international trade. The Government of Japan have spared no efforts towards removing in as great a degree as possible the barriers to our foreign trade. I am happy to report that within the present year we have concluded a trade convention and a tariff agreement with Portugal and with French Indo-China respectively. Portugal is a country with which, since 1911, we have had no commercial treaty, and our trade with that country suffered accordingly, Japan being placed in a disadvantageous position as compared with other Powers. Arduous negotiations fructified at last in the trade convention of March this year, which has since come into actual operation. With French Indo-China, in spite

of her being our very near neighbour, we had no agreement on customs tariffs—the most important key to trade—since as long ago as the year 1896. It was only in the course of last year that the various obstacles that had protracted the negotiations between the authorities concerned in Japan and France one by one began to be overcome, with the result that a convention was signed on May 13th this year which is calculated greatly to facilitate commerce between Japan and Indo-China and to strengthen the economic ties between the two countries. Both these conventions are to be hailed as signal contributions towards the promotion of international unity and friendship.

The world is suffering to-day from countless ills, of which economic depression is the most acute. Japan, undergoing the ordeal along with other Powers, faces many a problem which awaits an international solution. The future of our foreign relations is beset with grave difficulties, and national unity and solidarity are needed now more than ever before. In dealing with this difficult situation, let me plead for the support and co-operation of you all, and I shall do the best I can.

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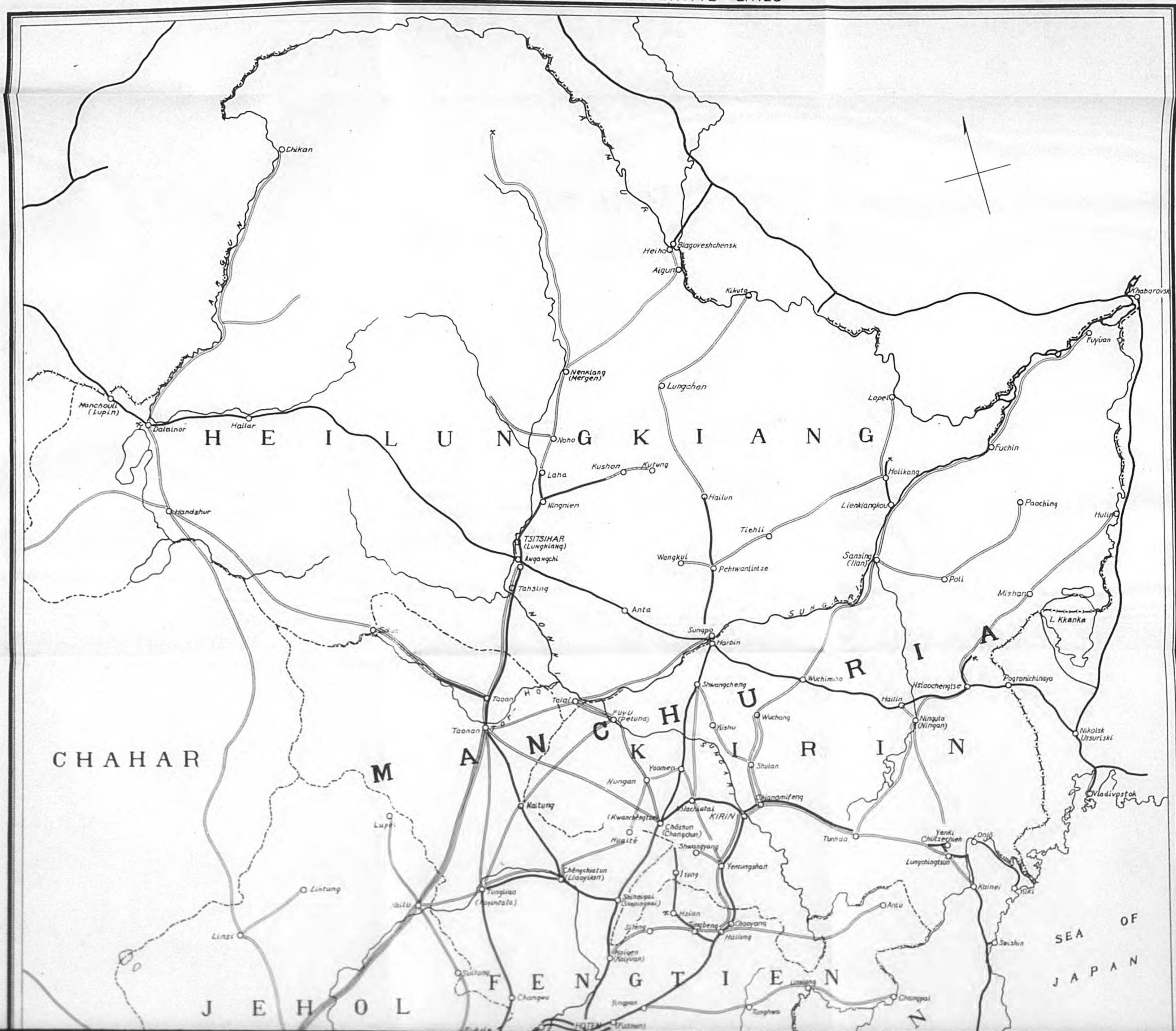
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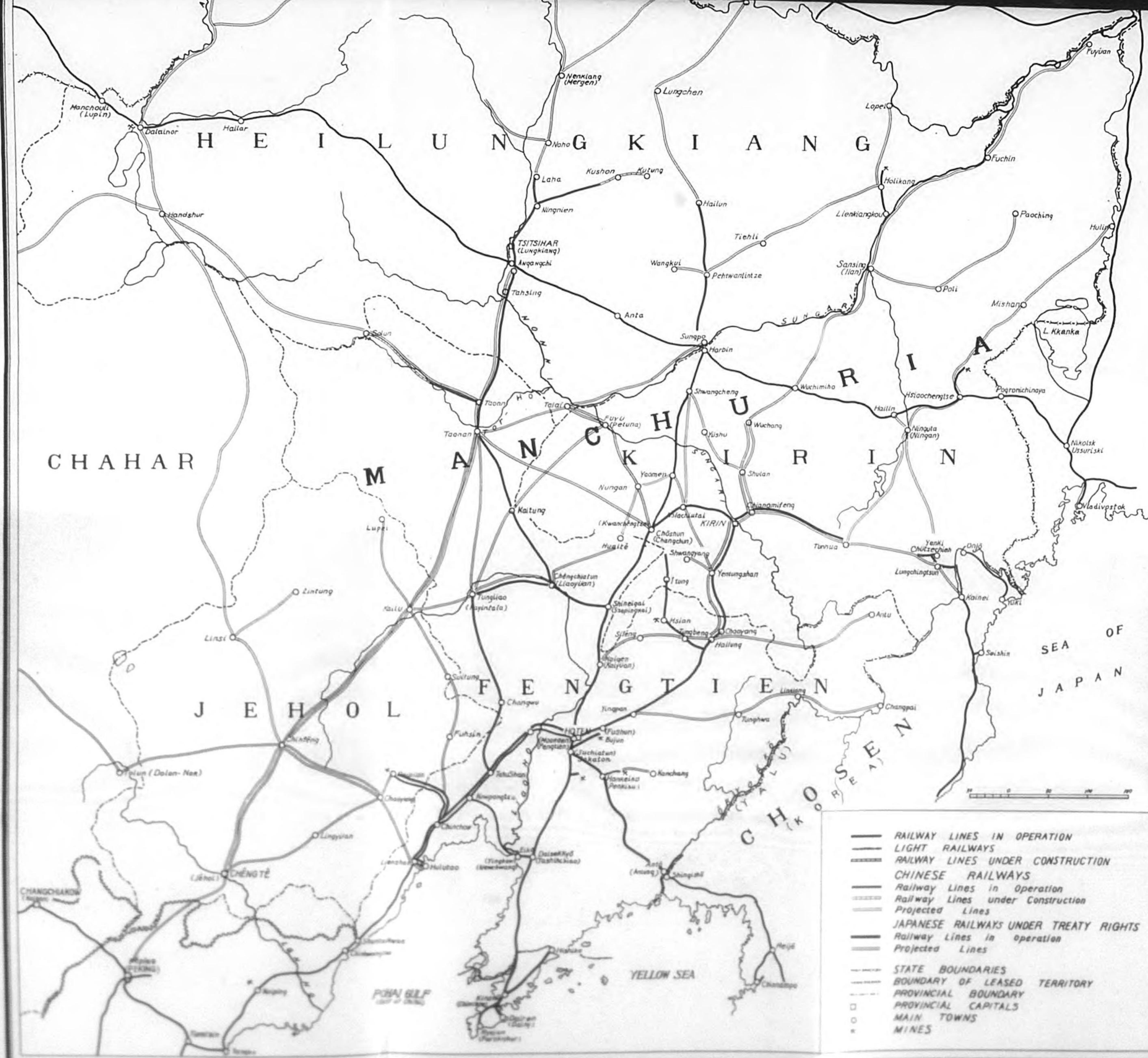
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RAILWAY MAP OF MANCHURIA

SHOWING
RAILWAYS NOW IN OPERATION AND UNDER CONSTRUCTION,
JAPANESE PROJECTED RAILWAYS UNDER TREATY RIGHTS,
& CHINESE PROJECTED COMPETITIVE LINES

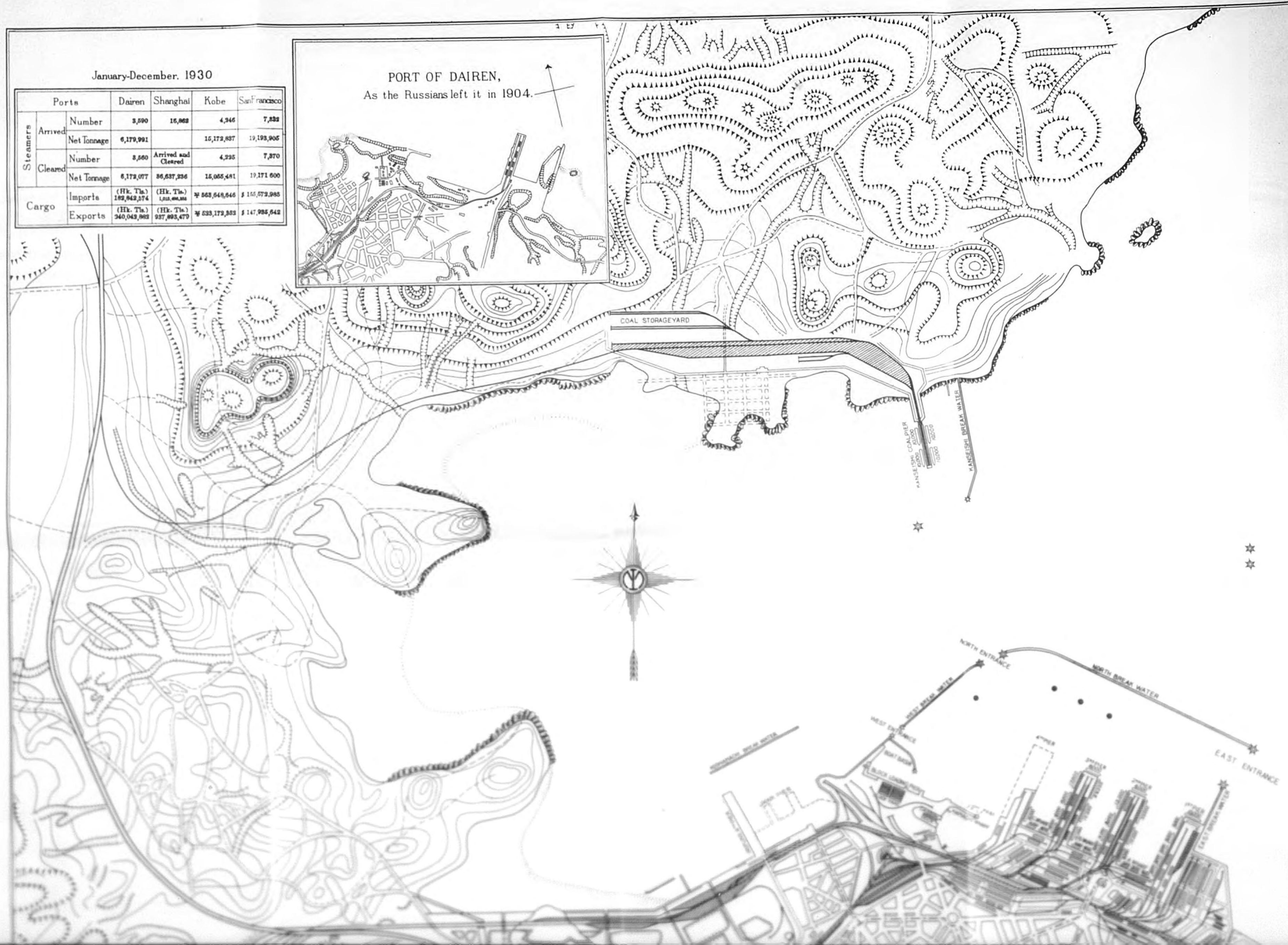
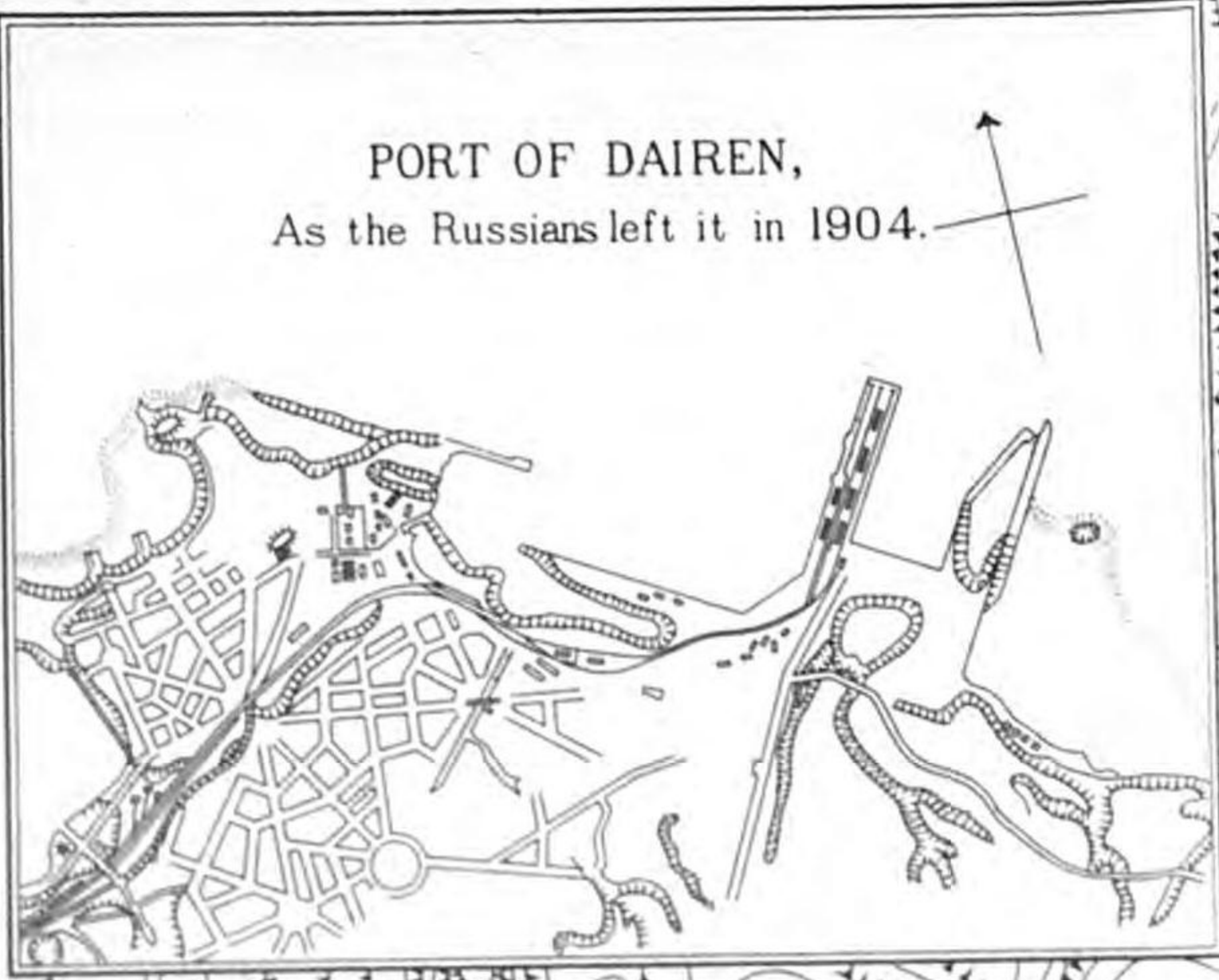




- RAILWAY LINES IN OPERATION
- LIGHT RAILWAYS
- RAILWAY LINES UNDER CONSTRUCTION
- CHINESE RAILWAYS
- Railway Lines in Operation
- Railway Lines under Construction
- Projected Lines
- JAPANESE RAILWAYS UNDER TREATY RIGHTS
- Railway Lines in Operation
- Projected Lines
- STATE BOUNDARIES
- ... BOUNDARY OF LEASED TERRITORY
- - - - PROVINCIAL BOUNDARY
- PROVINCIAL CAPITALS
- MAIN TOWNS
- * MINES

January-December, 1930

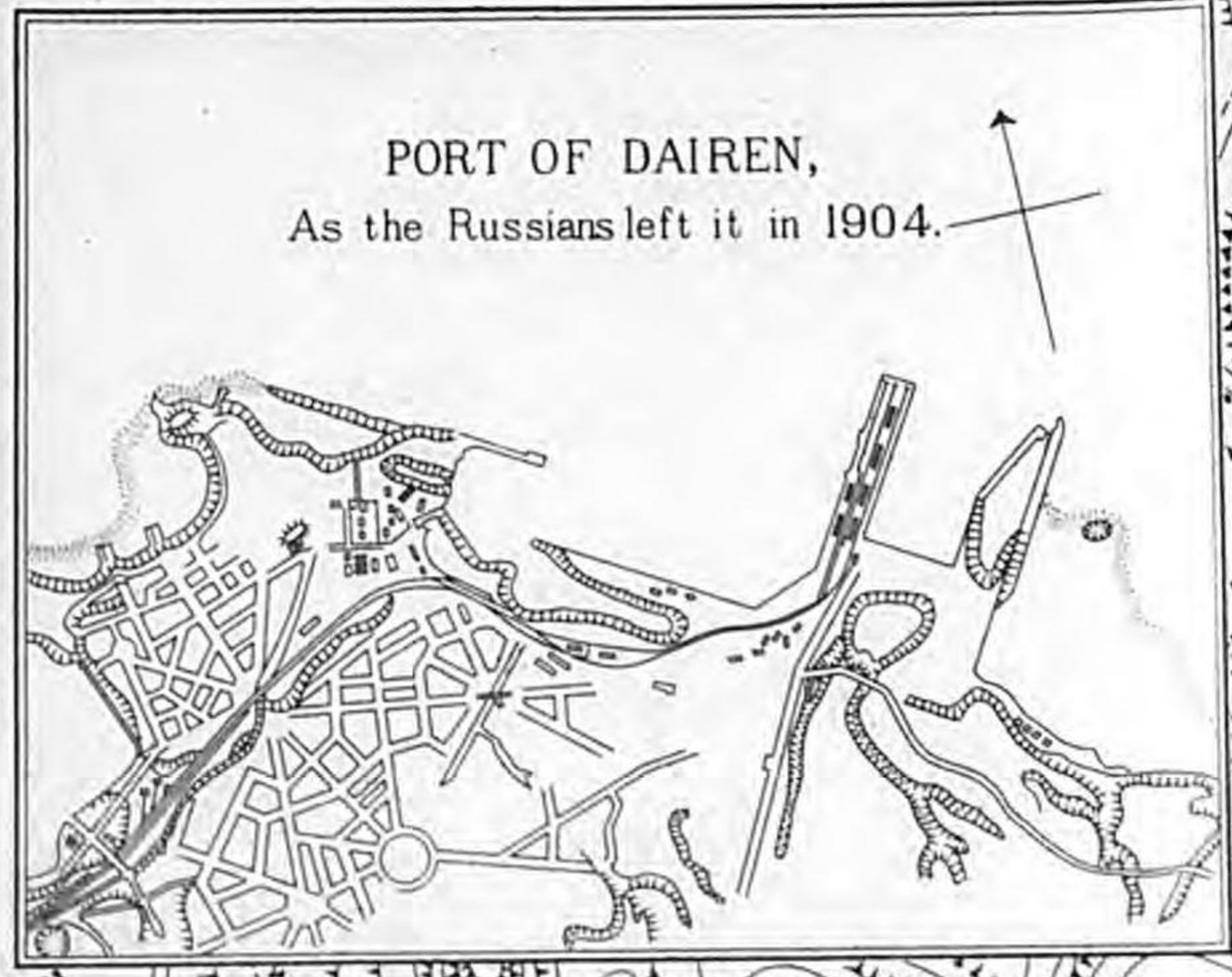
Ports		Dairen	Shanghai	Kobe	San Francisco
Steamers	Arrived	Number 3,590	16,863	4,346	7,323
		Net Tonnage 6,179,991		16,172,837	19,193,905
Cleared	Number	3,560	Arrived and Cleared	4,235	7,370
		Net Tonnage 6,173,077	86,637,336	15,065,481	19,171,600
Cargo	Imports	(Hk. Tn.) 182,842,374	(Hk. Tn.) 1,015,000,000	¥ 563,648,646	\$ 155,072,985
	Exports	(Hk. Tn.) 340,043,963	(Hk. Tn.) 937,893,479	¥ 633,173,323	\$ 147,985,642



PORT OF DAIREN
 JUNE, 1930. SCALE 1/2"

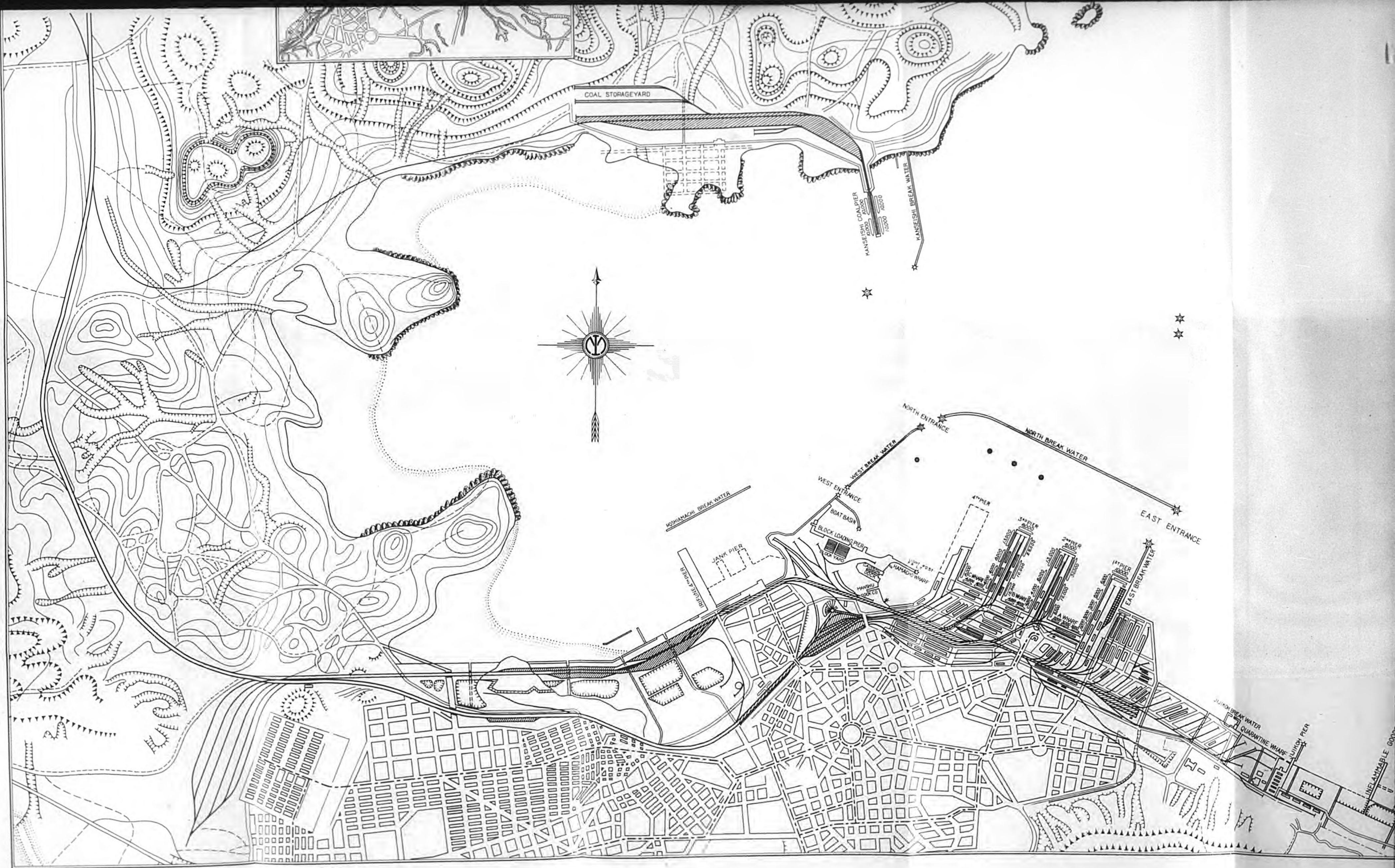
January-December, 1930

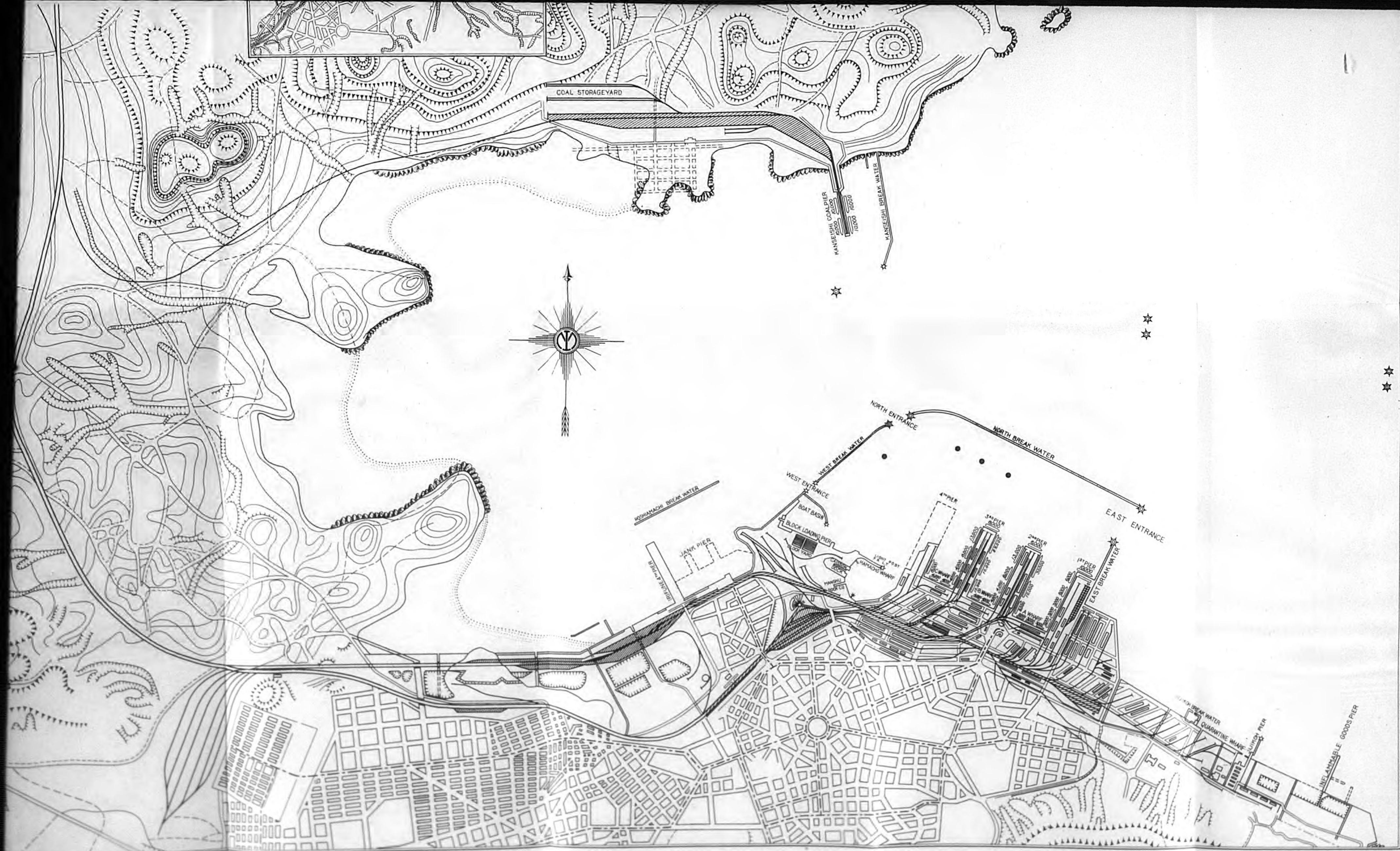
Ports	Dairen	Shanghai	Kobe	San Francisco
Number	3,590	16,863	4,946	7,332
Net Tonnage	6,173,991		16,173,837	19,193,905
Number	3,560	Arrived and Cleared	4,225	7,370
Net Tonnage	6,173,077	86,637,236	16,055,481	19,171,600
Imports	(Hk. Tls.) 189,942,574	(Hk. Tls.) 1,012,000,356	¥ 663,648,646	\$ 155,572,985
Exports	(Hk. Tls.) 340,043,883	(Hk. Tls.) 937,893,479	¥ 633,173,353	\$ 147,985,642

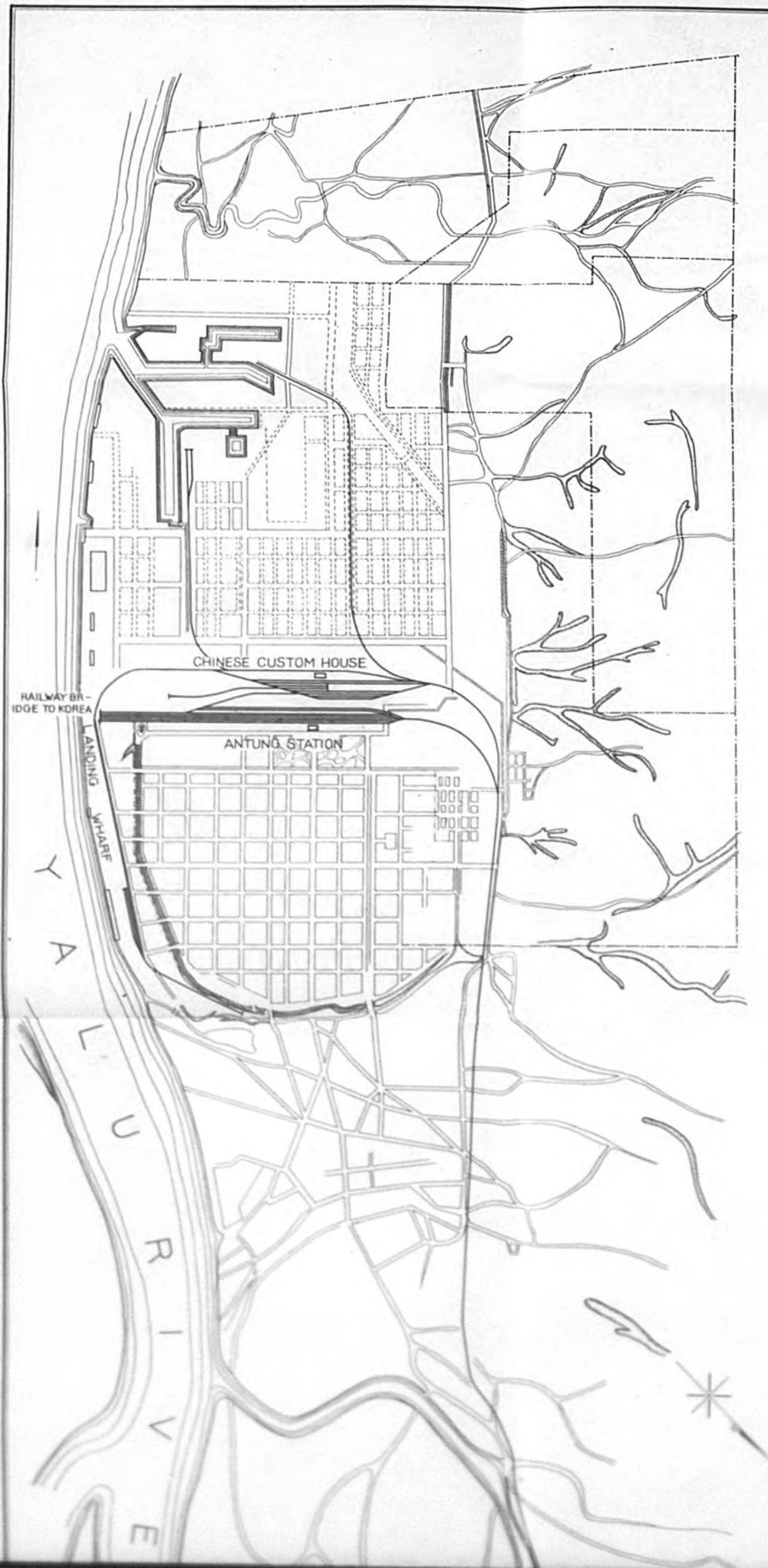


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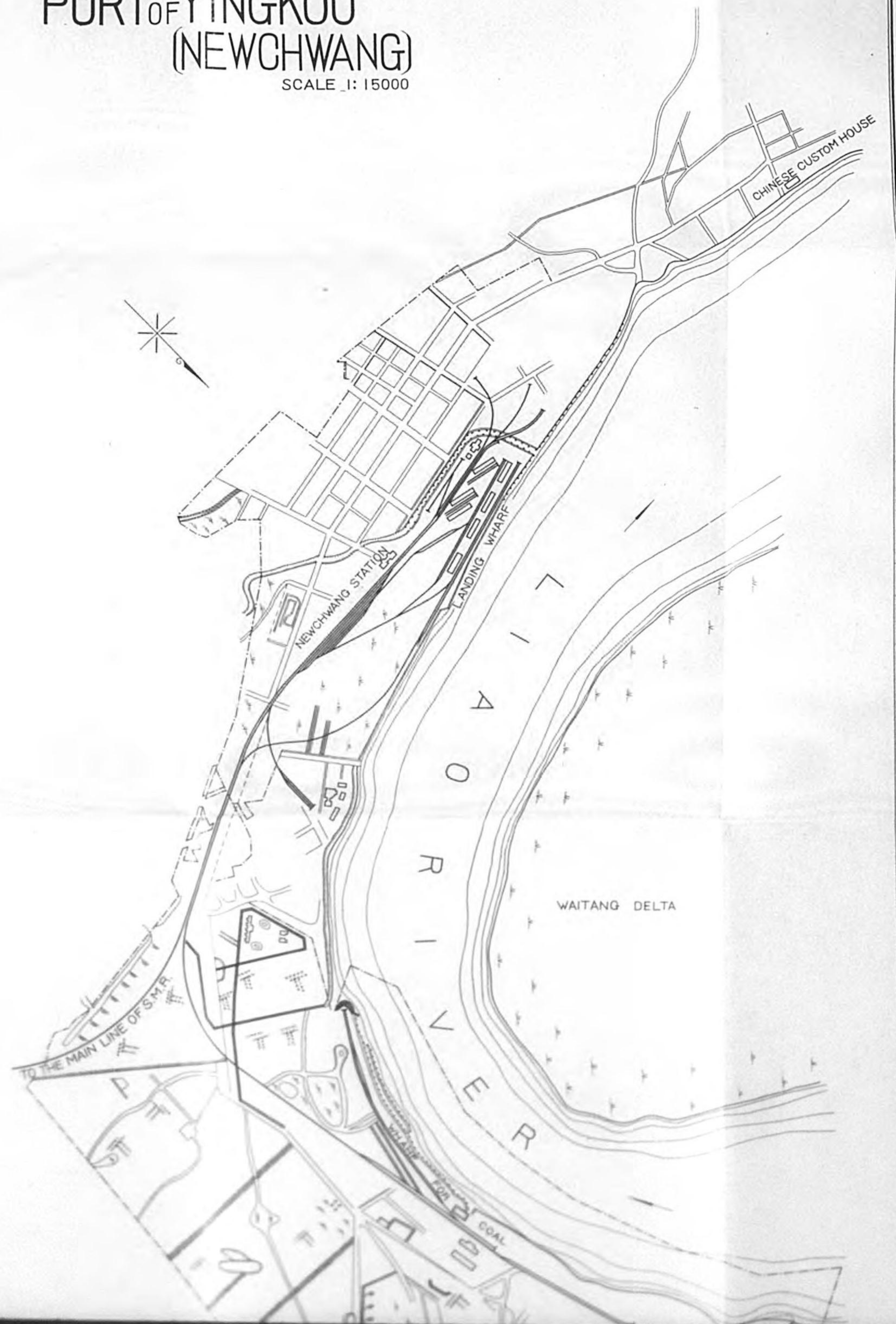


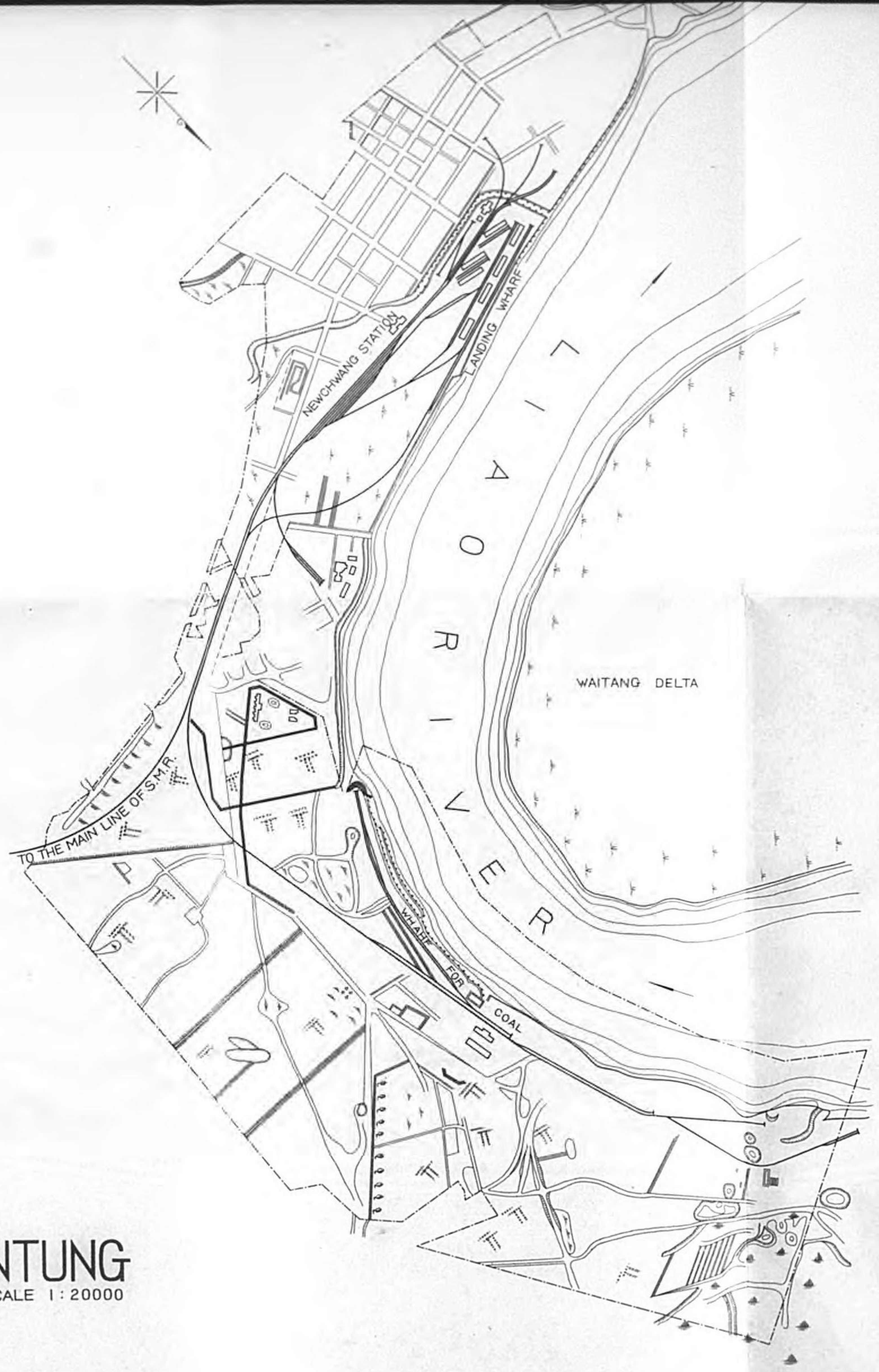
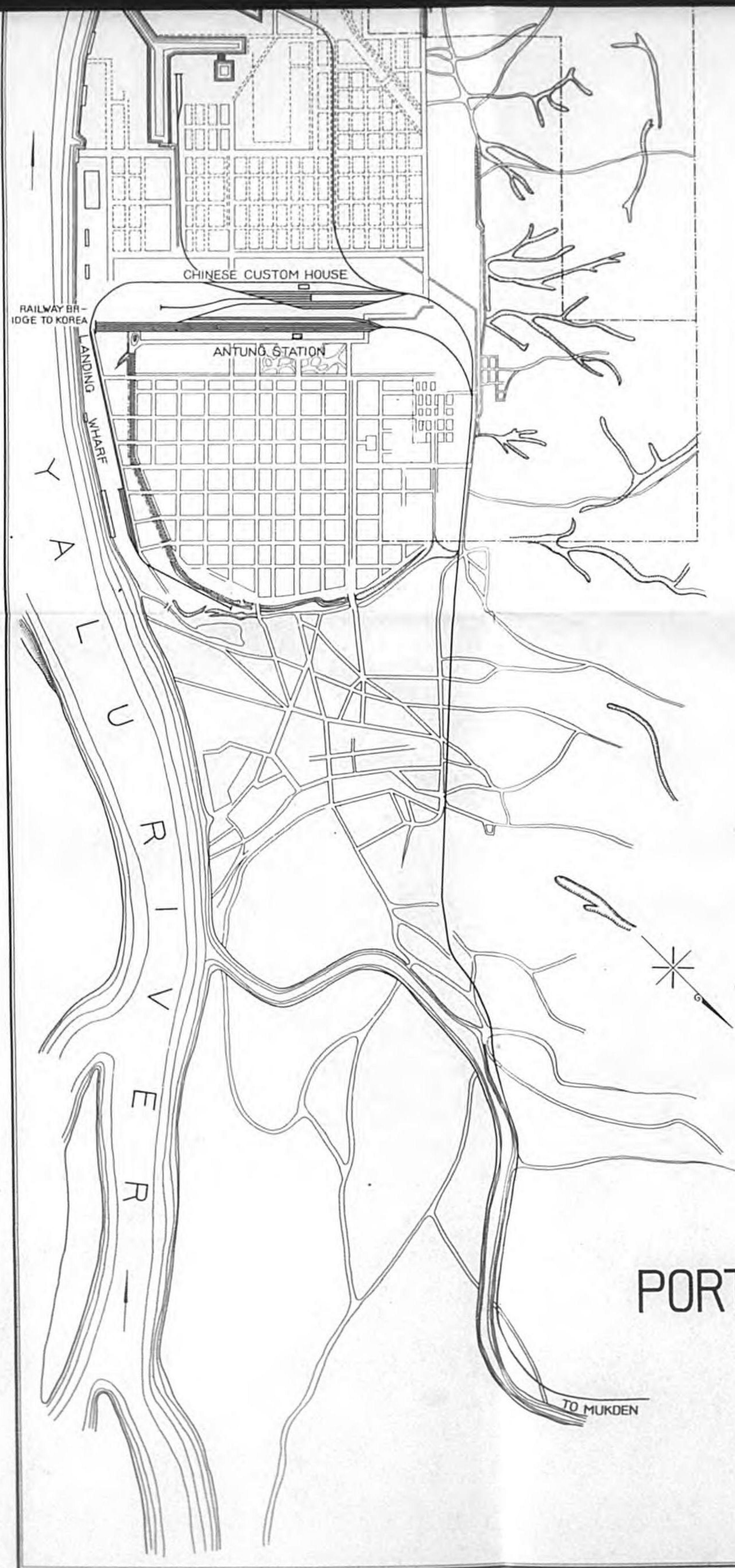




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TO MUKDEN