Exhibit #____

The 1st Formal Conference (June 26, 1933)
Reply of the Soviet Delegate

(Excerpt from "Collection of the Publications in Connection with the Negotiation for the Purchase of North Manchuria Railway." pp. 7-9)

Your Excellency,

On behalf of the Soviet delegation, I wish to express my gratitude to the Imperial Japanese Government which has offered its good offices to act as intermediary in connection with a fundamental settlement of the question of the Chinese Eastern Railway and proposed that a conference be held in the Japanese capital regarding the sale of the said railway. The Government of the U.S.S.R. seeks to carry out thoroughly its immutable policy of peace and its policy of promoting amicable relations with all nations, and it places special emphasis hereafter on furthering more and more the friendly relations with Japan which is an important factor in the peace of the Far East and of the world.

In accordance with these policies, the Soviet Government, from the beginning of the outbreak of the Manchurian Incident, has given ample proof that it adheres to a policy of strict neutrality and absolute non-intervention, that it has due consideration for the interests of Japan and at the same time strictly observes its obligations under reciprocal treaties, and that it is prepared to guarantee friendly relations with its neighboring countries on the basis of respect for mutual interests. The Soviet Government has on several occasions discussed methods of settling the Chinese Eastern Railway dispute with Japan which has pledged not to infringe upon the interests of the U.S.S.R. in North Manchuria and which has expressed concern for the maintenance of poace and order in Manchuria. Having due regard for the fact that recently the said railway might possibly become and actually has become the source of dispute among the U.S.S.R., Japan and Manchukuo and that certain influences opposed to peace have taken advantage of this fact and are seeking.

to aggravate Soviet-Japanese and Soviet-Manchukuo relations, the Soviet Government informed the Japanese Government that it is prepared to negotiate for a fundamental settlement of the question of the Chinese Eastern Railway by means of selling the said railway. Thus, the Soviet proposal is based on its constant desire to further its friendly relations with Japan and to secure peace. This is but another instance which shows the desire of the U.S.S.R. for peace. As stated in the speech of the Japanese Foreign Minister, Count Uchida, the Chinese Eastern Railway was constructed by Czarist Russia, which, by constructing this railway in the territory of another country, sought to attain its aggressive and imperialistic aims, but the Soviet Government does not, nor can it, have such aims. The October Revolution destroyed the significance of the Chinese Eastern Railway as an instrument of imperialistic aggression. The Soviet Government changed this railway to a purely commercial enterprise and granted to the owner of (the country owning) the territory on which the said railway was constructed the right of joint-management and division of its profits under the Sino-Russian Convention and the Mukden Agreement.

However, the Soviet Government has taken the view, and still does, that it is its duty to protect its material interests concerning this railway which was constructed chiefly through the labor and capital of the Soviet people and which is the property of the U.S.S.R.

As stated by Count Uchida, the Japanese Foreign Minister, the Chinese Eastern Railway possesses important international significance. That is to say, the said railway, even at the present time, plays a most important part in the international communication between Europe and Asia and has significance as an important trunk line which links North Manchuria and the southern districts of Manchuria as well as the Pacific.

In connection with the recent incident and the present situation in Manchuria, the deteriorating economic situation of the said railway will, of course, be improved with the future progress and economic development of

Manchukuo. In view of the foregoing, therefore, the Soviet delegation has entered into negotiations for the sale of the Chinese Eastern Railway in order to secure our mutual friendly relations and to seek the enhancement of these relations in the future with prudence and sincerity necessary for a fundamental and effective settlement of the problem which has such important significance.

It is our desire that the Manchukuo authorities, which recognized, in a note dated March 12th addressed to the Soviet Government, all obligations arising out of the Sino-Russian Convention and the Mukden Agreement, will manifest equal sincerity with a view to arriving at a harmonious termination of the present conference.

We hope that the negotiations which have commenced today will produce the expected results through the positive and kind assistance of the Japanese Government.

CERTIFICATE

Statement of Source and Authenticity

I, HAYASHI, Kaoru, Chief of the Archives Section, Japanese Foreign Office, hereby certify that the document hereto attached in <u>Japanese</u> consisting of <u>5</u> pages and entitled "The 1st Formal Conference (June 26, 1933): Reply of the Soviet Delegate" is an exact and true extract from the book entitled "Collection of the Publications in Connection with the Negotiation for the Purchase of North Manchurian Railway" made by the Foreign Office in January 1934.

Certified at Tokyo on this second day of September 1947.

(Signed) Kaoru Hayashi

Witness: Katsuma Urabe