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REPORT ON PROGRESS  
IN MANCHURIA  
TO 1932

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DAREF, JUNE, 1932

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THIRD  
REPORT ON PROGRESS  
IN MANCHURIA  
1907-32

The Twenty-fifth Anniversary Number  
Containing a Survey of the Manchurian Incident  
and League Council's Proceedings



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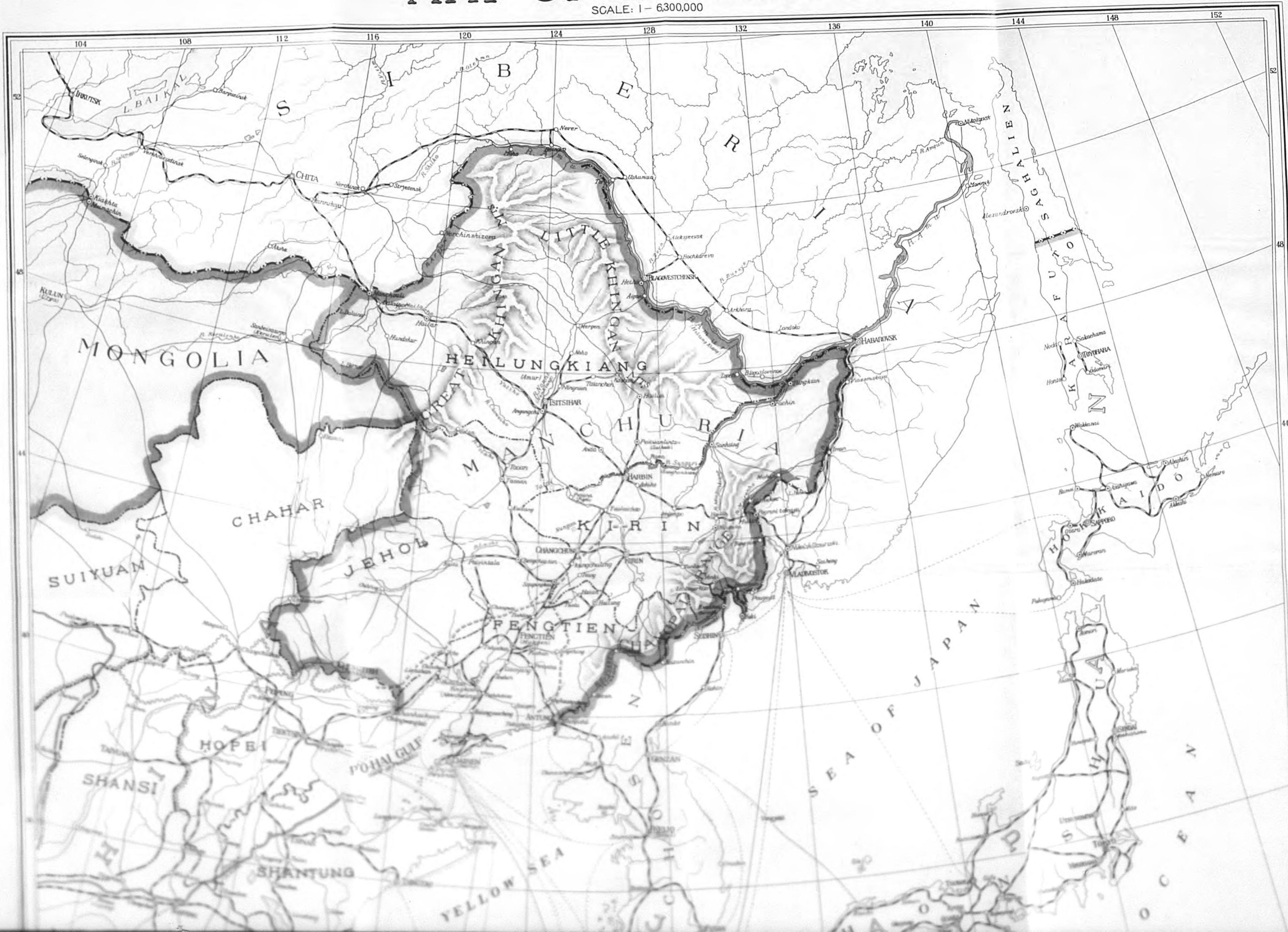
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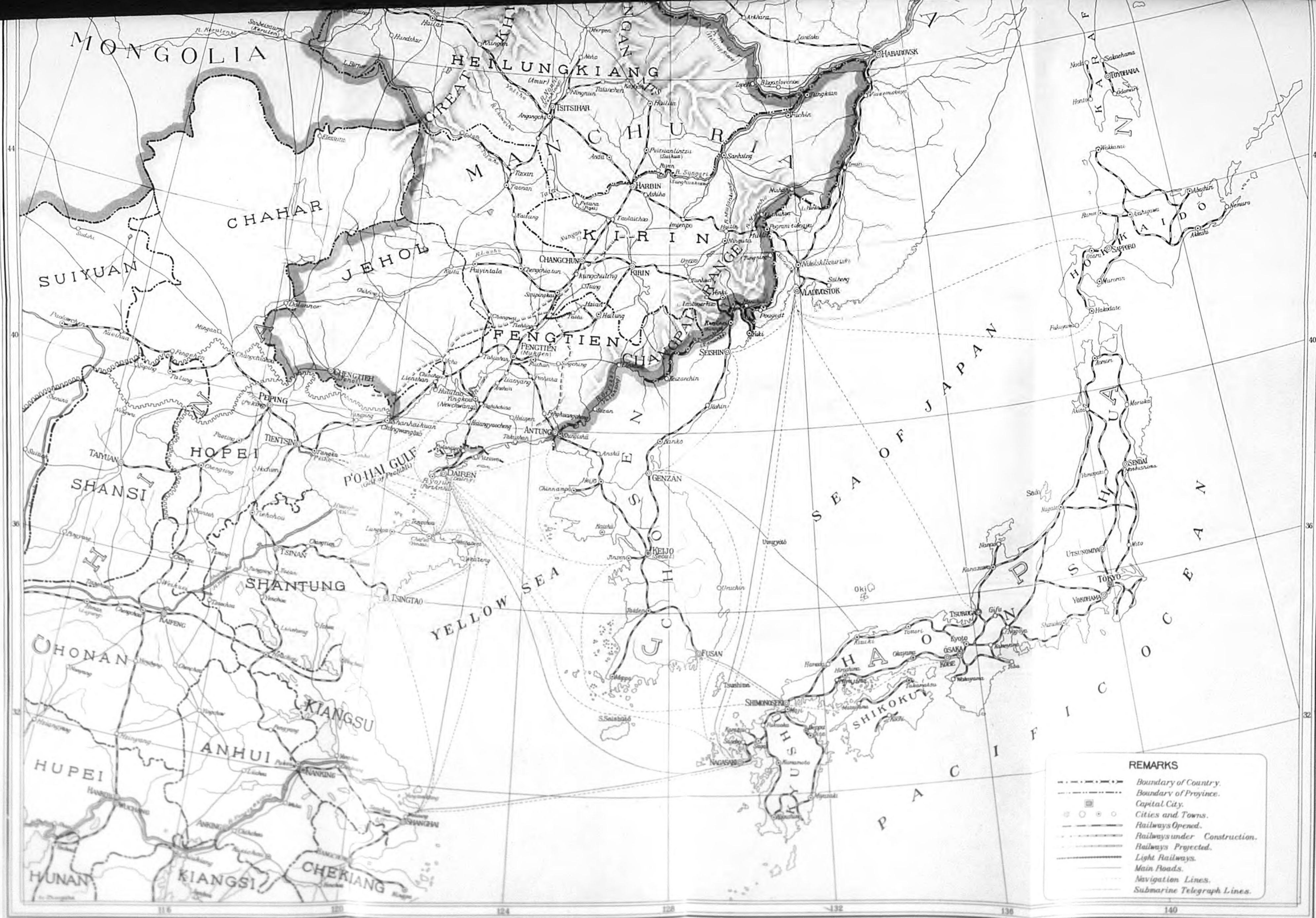
\* Texts of numerous Treaties, Protocols, Agreements, Notes of Exchange, and Statutes of the Powers concerning Manchuria and other partial Provisions were appended to the previous Report.

# MAP OF MANCHURIA

SCALE: 1 - 6,300,000







**REMARKS**

- Boundary of Country.
- - - Boundary of Province.
- ⊠ Capital City.
- Cities and Towns.
- ⊙ Railways Opened.
- ⊘ Railways under Construction.
- ⊚ Railways Projected.
- ⊙ Light Railways.
- Main Roads.
- ⋯ Navigation Lines.
- ⋯ Submarine Telegraph Lines.

MONGOLIA

HEILUNGKIANG

CHAHAR

MANCHURIA

SUIYUAN

JEHOL

KIRIN

FENGTIEN

HOPEI

SHANSI

BOHAI GULF

SHANTUNG

YELLOW SEA

SEA OF JAPAN

OHONAN

KIANGSU

ANHUI

HUPEI

KIANGSI

CHEKIANG

HONSHU

SHIKOKU

SHANSHU

RYUKYU

TSUSHIMA

MIYAGAWA

YAMAGUCHI

CHUGUO

TOCHUGU

CHUGUO

CHUGUO

KARAKURA

TOYAMA

SAITAMA

CHIBA

HIROSHIMA

YAMAGUCHI

CHUGUO

TOCHUGU

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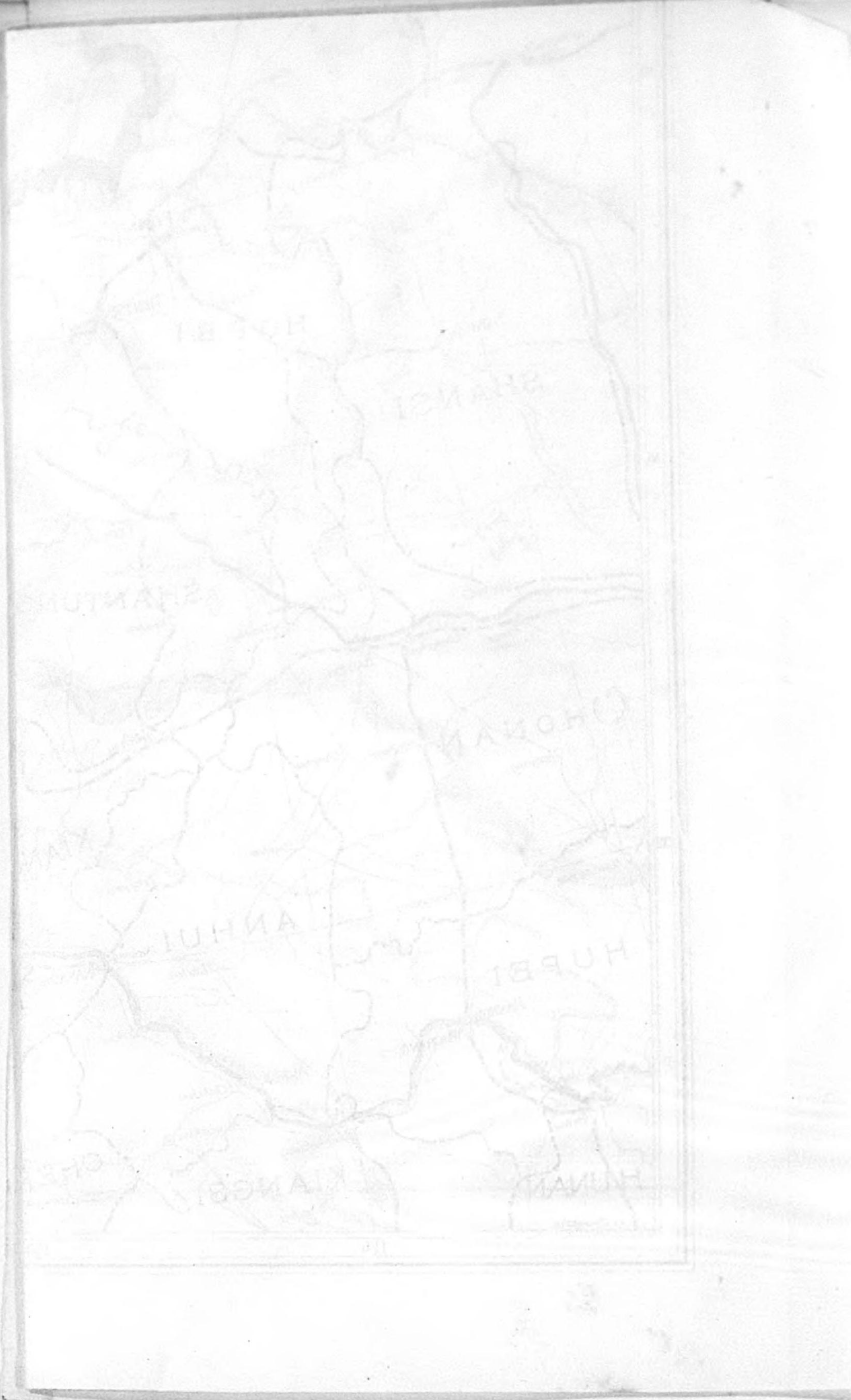
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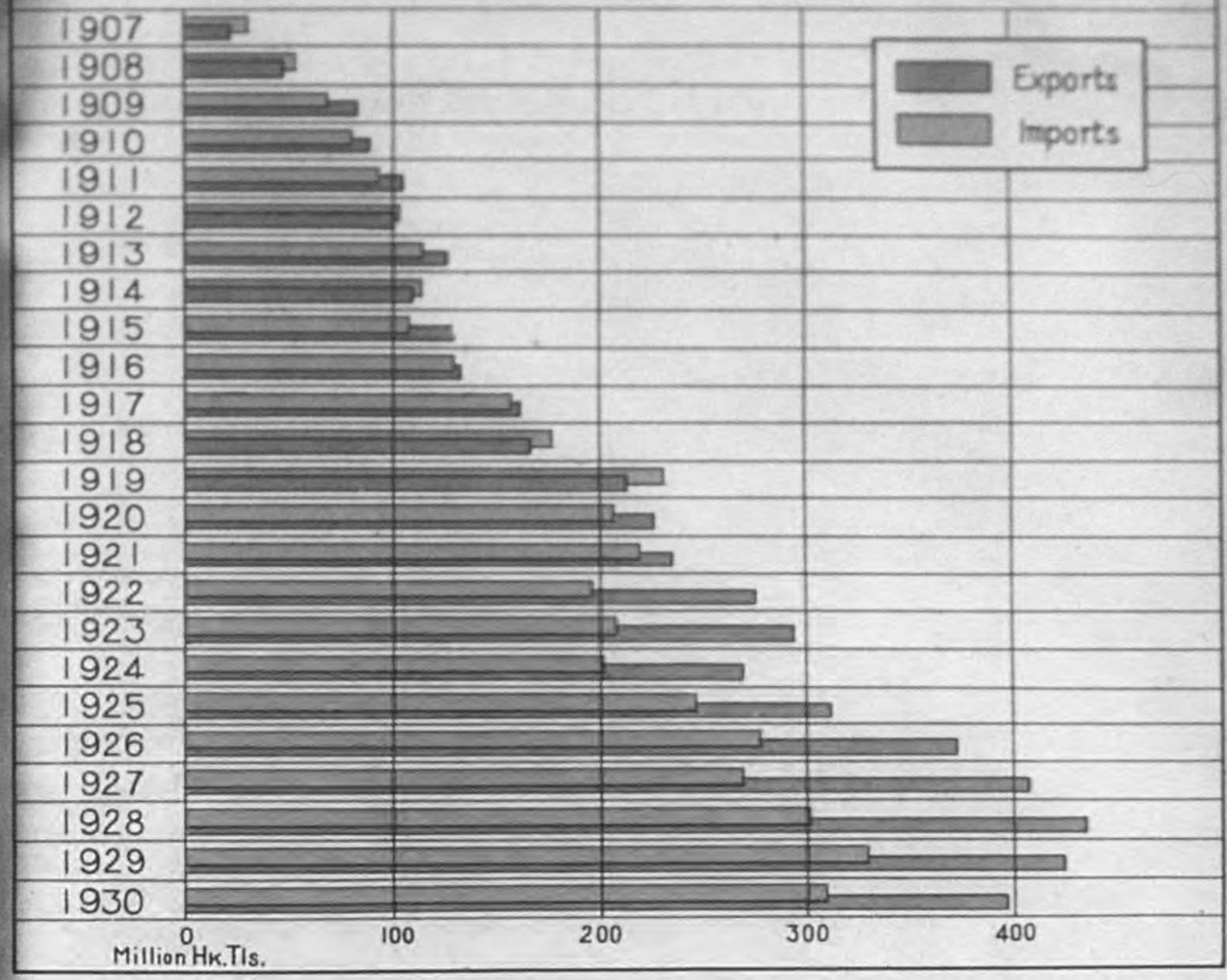
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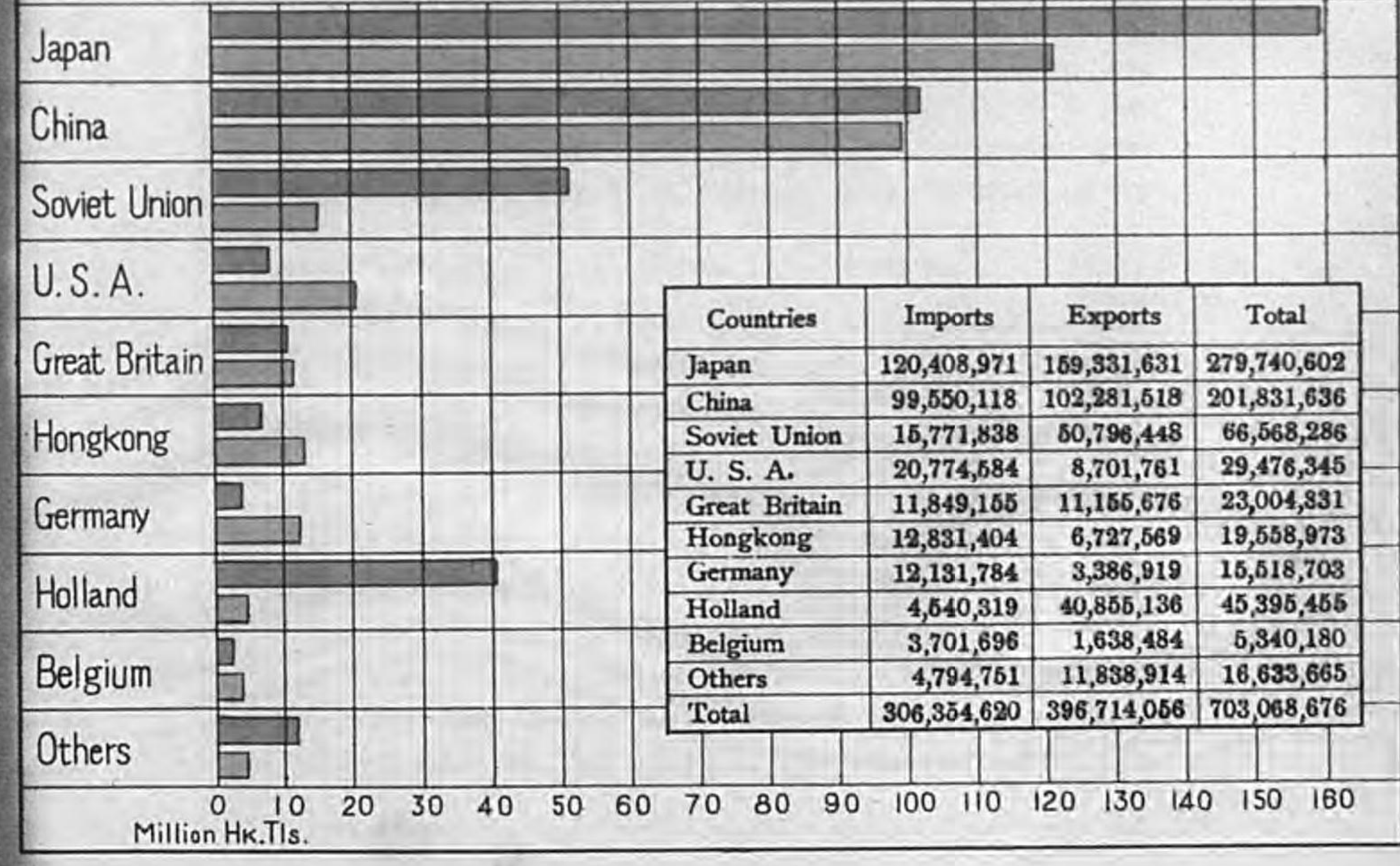
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TOTAL VALUE OF EXPORTS AND IMPORTS OF MANCHURIA 1907—1930



VALUE OF EXPORTS AND IMPORTS OF MANCHURIA FOR 1930 ACCORDING TO COUNTRIES



## INTRODUCTION

It is extremely deplorable that in Manchuria untoward international incidents have been occasioned one after another in recent years, especially since Marshal Chang Hsueh-liang succeeded to the power which his father, the late Chang Tso-lin, had long exercised.

**Untoward Incidents** While the Sino-Soviet dispute respecting the Chinese Eastern Railway, in 1929, caused the suspension of a part of the international route, connecting East Asia and Europe, for six months, Japan had, for her part, to encounter a number of discomposing incidents, the last of which was the destruction of a part of the Japanese-owned South Manchuria Railway near Mukden on the night of September 18, 1931, by Chinese regular soldiers, compelling the Japanese railway guards to act in defence of Japanese interests, and constituting the direct cause of the present Manchurian incident. This affair not only affected Japan profoundly, but engaged the attention of the entire world. Mr. Kenkichi Yoshizawa, Minister of Foreign Affairs (who was the Japanese Representative on the League Council up to the time of his appointment to the Portfolio of Foreign Affairs in the present Inukai Cabinet), speaking of Japan's status in Manchuria in an address delivered at the 60th session of the Imperial Diet, on January 21st, 1932, observed as follows:—

“China, being our neighbour, always stands, both economically and politically, in intimate relationship with this country. In regard to Manchuria, in particular, through historical and geographical reasons, political considerations must become of preponderant interest. It is of course beyond argument that the welfare of Manchuria is of the greatest consequence to Japan. There are more than a million Japanese subjects residing in Manchuria, and we possess in that region, in connection with leased territories, railways, mines, etc., numerous rights and interests of vital importance, secured either by treaty or by contract.”

Indeed, the position of Japan, with her rights and interests in Manchuria and Mongolia, has been gradually established by a body of numerous treaties, agreements and contracts, as well as by historical facts, in the course of the last 40 years.

**Japan's Position in Manchuria** As history shows, Manchuria was in fact a “Forbidden Land” for many generations, not only to the world at large, but more particularly to the Chinese themselves. It was much of a *terra incognita* until as recently as several decades ago. The name of Manchuria became known to the world largely as a battlefield. The Sino-Japanese war of 1894-5 and the Russo-Japanese war of 1904-5, were fought in Manchuria. In each of these conflicts, the Japanese nation was

forced to risk its very existence in averting imminent peril to the Empire. After the Sino-Japanese war, the Russians opened up portions of Manchuria by the construction of the Chinese Eastern Railway. But a section of it fell to the Japanese after the Russo-Japanese war, and in Japanese hands it has proved a great factor in transforming Manchuria into a land of opportunity for the world at large, in co-operation, to a greater or lesser extent, with China, Russia, and other countries. Acting on her treaty rights, Japan has invested in the region more than 2,000,000,000 yen; a million Japanese subjects, including Koreans, have found homes; Japanese have initiated agricultural and industrial developments with their capital and skill. Japan's special position in Manchuria, however, never threatened the "territorial integrity" of this region, or "the principles of the open door and equal opportunity to all nations." The maintenance of these two great principles in Manchuria has been an almost unbroken policy, upheld by the Japanese Government as pledged in their numerous treaties or announced in their state documents both prior to and after the Russo-Japanese war. More recently, Mr. Yoshizawa as the Representative of the Japanese Government on the League Council, repeatedly announced that "the Japanese nation has no territorial ambition in Manchuria" and "is the champion of equal opportunity and the open door for the economic activities of all nations." Once again, Mr. Yoshizawa, as Minister of Foreign Affairs, still more definitely upheld these great principles in an address in the Diet. Whenever a question on the open door policy in Manchuria was raised, Japan adjusted her treaty rights with other Powers in a conciliatory spirit, as by financing loans for railway construction in Manchuria under the Financial Consortium Agreement signed in 1920 by banking groups representing France, Great Britain, Japan and the United States. Again at the time of the Washington Conference, the Japanese delegation voluntarily waived, in a formal declaration, Japan's preferential right of financing certain railway lines and of the engagement by China of Japanese advisers or instructors in South Manchuria. Japan also relinquished, by exchange of notes, May 6, 1930, the one-third reduction of tariff allowed on rail-borne cargo across the land frontier between Korea and Manchuria, which was provided in the Agreement of 1913.

"Manchuria holds the key to the peace of the Far East," as Mr. Yoshizawa declared in the Diet. In the Russo-Japanese war, in which the Manchurian question was an issue, the Russian Pacific Fleet together with the Baltic Fleet was practically annihilated. Subsequently, most of the main squadrons of other European Powers were withdrawn from Oriental waters and concentrated in the North Sea and Mediterranean. Port Arthur, the Gibraltar of the East under Russian rule, has been turned into a

**Peace and Order**

commercial port as well as a seat of the civil government, by the Japanese régime. After the Russo-Japanese war, a period of tranquillity set in throughout the Far East. As regards Manchuria, enduring peace and order were fairly well maintained for almost a quarter of a century, except for sporadic outbreaks, while revolutions, civil wars, and other political disturbances were unfortunately as frequent in China proper, after the establishment of the Republican régime, as at any time in the past. Indeed, Manchuria was the only region in the whole vast area of China which offered the benefits of peace and order to the calamity-stricken people of Shantung, Chihli, and Honan, who were driven out by the famine, warfare, and extortionate taxation which prevailed especially during the civil war of 1926-8, and again during the frequent civil wars of 1929-30. Order in Manchuria has thus been preserved since the Russo-Japanese war, without serious interruption, despite the frequent forays of Manchurian bandits upon isolated settlements. This has been achieved partly with the aid of the Japanese troops, which, though stationed in the limited areas of the Leased Territory and the Railway Zone, exercised a moral influence in the preservation of order throughout Manchuria. The Chinese military authorities in the North-Eastern Provinces maintaining more than 400,000 soldiers at huge expense, absorbing more than 80 per cent. of the total revenue, should have had maintained complete peace and order in Manchuria. But the discipline and integrity of the Chinese officers and soldiers were of a dubious nature, as many of them enlisted from the ranks of bandits, while even regular soldiers and officers, if they failed to receive their pay, often deserted and joined the bandits. Furthermore, the Chinese officers and soldiers, deeply imbued, after Marshal Chang Hsueh-liang assumed the leadership, with the "spirit of national rights recovery," were often encouraged to molest or threaten Japanese and Russians in person and property. Japan's participation in the maintenance of order in Manchuria has been costly to her. Though the number of railway guards is reduced to less than that allowed by treaty in normal times, Japan still has to spend more than 20,000,000 yen a year on soldiers and police in the Railway Zone and Leased Territory. And, in times of crisis, whenever civil war or other disturbance, such as Kuo Sung-ling's revolt against Chang Tso-lin in 1925, and the Manchurian incident of 1931, has threatened the peace and order of Manchuria, in a manner calculated to affect Japanese life and property, military expenditure has naturally greatly increased. The maintenance of peace and order in Manchuria is vitally important, particularly to Japan, whose investments in the territory amount to more than two billion yen; the territory is increasingly becoming the chief source of raw material for Japanese industries and the important granary of the Japanese nation. Furthermore, 1,000,000 Japanese subjects, including 760,000 Koreans, have their homes in Manchuria to-day. Indeed the Japanese

nation generally regard this region as their "vital defence line." In a broader sense, historically, politically and economically, Japan wishes to prevent any repetition of the bitter experiences of the past — any disturbance in Manchuria which would affect the security of Korea and Japan, and ultimately the general peace of the Far East.

The railways of Manchuria have played a most important part in its development, as they do elsewhere. More than 3,800 miles of railway have been laid in this region since 1897, while little over 5,200 miles have been laid in the vast territory of China proper since 1877. Of the total mileage in Manchuria, China owns more than half, Russia 1,070 miles, and Japan about 700 miles. The Chinese railways, though aggregating a greater mileage than the Japanese or Russian, are mostly financed by foreign, notably by Japanese, capital; while the Manchurian section of the Peking-Mukden line, between Mukden and Shanhaiwan, with branch lines, was built with British capital.

It should be cause for congratulation that the Chinese have of recent years initiated a process of constructing railways in Manchuria for themselves. But their activities went to an undue extent. Several railways were laid during 1924-28 by the Chinese authorities with money borrowed from Japanese sources, and were making a fair profit, — yet the authorities not only left the Japanese loans in utter default without paying a cent of the principal or interest, but went on to construct 400 miles of new line parallel to or competitive with the South Manchuria Railway lines, ignoring Japan's right guaranteed by treaty. Furthermore, it was often reported that the Chinese authorities were contemplating the construction of a network of railways in Manchuria and Mongolia, the project being to construct more than thirty railway lines which were to converge on the new harbour of Halutao, which if accomplished would virtually ruin the South Manchuria Railway and to a certain extent the Russian-owned Chinese Eastern Railway as well. In Manchuria and Mongolia there is room enough to build more railways. Should the Chinese authorities plan their new construction after reaching a fair understanding with Japan and Russia in particular, they could avoid unnecessary competition and would not invite any provocation or irritation from their neighbours. In Manchuria the Chinese after all would be greater beneficiaries than people of any other nationality.

Thus the railways having entered upon a process of gradual development, and peace and order having been fairly well maintained after the Russo-Japanese war, agricultural, mineral, forestry and other industrial developments have made steady progress, greatly aided by ready capital, mainly Japanese, and by an ample supply of labour, due to the constant inflow of Chinese coolie immigrants.

In 1915, the estimated production of soya beans, kaoliang (a species of sorghum), millet, wheat, barley, oats, rice, etc., amounted to 404,500,000 bushels. Fifteen years later, in 1930, these crops were estimated at over 779,000,000 bushels. The soya bean, to-day commanding a world-market, and kaoliang, used as the staple food of the native population and also as cattle fodder, are the most important among agricultural products. The production of soya beans, amounting at present to about 208,000,000 bushels, or 5,290,000 tons, annually, has doubled during the last fifteen years. The commercial importance of the soya bean and its products — oil and cake — has made Manchuria famous. They are so predominant that they now constitute about 50 per cent. in value of the entire export trade of Manchuria. Of the 4,000,000 tons of beans and bean products exported in 1930, more than 43% went to Japan, about 42% to Europe, 14% to China, and the rest to the United States and other countries. Next to beans, millet is now the important crop, producing 143,000,000 bushels every year, of which about 10,000,000 bushels were exported exclusively to Korea in 1930. Korea, notwithstanding a deficient rice supply, exports rice to Japan proper to the amount of 21,000,000 bushels, and imports Manchurian millet and the cheaper grade of Indo-China rice as a substitute for the rice deficit. Just as the Manchurian bean and bean-cake, exported to Japan as foodstuffs and fertilizers, are to-day assisting in the solution of the national food question in Japan, so Manchurian millet affords the same relief to Korea.

The external trade of Manchuria formerly remained insignificant for many years, as the region was undeveloped and Newchwang was the only Manchurian port open to trade. But the Russo-Japanese war, which marked a new epoch for Manchuria, inaugurated a most radical change in the trade situation, particularly after the opening of the port of Dairen. When Dairen, in the Leased Territory, was opened as a free port in July, 1907, by Japan, the total trade of Manchuria was valued at 52,000,000 Hk. Tls.,\* i. e., 6 per cent. of the total trade of China. In 1929, this was increased to over 755,000,000 Tls., i. e., 20 per cent. of China's total trade,† making the highest record in the trade returns. Owing to the general depression, the trade figure for 1930 fell off to 703,000,000 Tls. Yet Manchuria has one particularly bright aspect in its trade in that it maintains an excess of exports over imports in most years, contrary to the trade of China proper, where as in Japan and Korea, imports have invariably exceeded exports.

Of the total exports for 1930, amounting to 396,000,000 Tls., Manchurian beans and derivatives constituted more than a half, or 206,000,000 Tls. As already stated, Japan is the largest purchaser of these products. European countries bought over 42 per cent., and

\* Haikwan Taels.

† Total trade including domestic trade of China.

there is a strong upward tendency in the overseas markets in the supply of chemical industries and cattle-fodder.

Regarding the import trade of Manchuria, cotton goods are still the most important item. The total imports for 1930 aggregated 209,000,000 Tls., of which 65,000,000 Tls. represented the proportion of cotton goods, including yarn. Of the cotton imports, Japan's share was about 60% and China's share 35%. When Newchwang was the only open port in Manchuria, England maintained a virtual monopoly of the import of cotton goods, and later the United States attained the leadership in this trade. Japanese cotton goods were first imported several years before the Russo-Japanese war, but only to a negligible amount. The Japanese industry in those days was not in a position to compete with either British, American, or Indian mills. Japan's strenuous and constant efforts to develop this industry, especially after the Russo-Japanese war, were gradually crowned with success. Moreover, Japan's geographical position, and her ability to produce a much cheaper staple by mixing raw material of the American higher grades with those of Indian and Chinese lower grades, ultimately secured the market.

It must be remembered, however, that the increased importation of Japanese cotton goods into Manchuria means that the Japanese mills must buy more raw cotton from America, India, and China. Nor does the falling-off in the imports of British and American cotton goods affect adversely the total of their imports into Manchuria. On the contrary, the trade of both Britain and the United States has increased in other departments. Imports of machinery, other iron manufactures, oil, woollen goods, flour, etc. from America and Europe have increased. Since the South Manchuria Railway Company entered the field, there has been a steady demand for supplies of iron manufactures for railways, mines, iron works, and other industrial undertakings, and in recent years for Chinese railway construction.

Historically, politically, and economically, Manchuria, whose territorial sovereignty rights are scrupulously observed, is internationally concerned more particularly with Japan and Russia. Yet the Chinese themselves are the chief beneficiaries, so long as peace and order are maintained and the development of the country continues.

Manchuria was liberated by Japan from Russian military control after several years of actual occupation by the forces of the Czar, and outside the Leased Territory and the Railway Zones, administrative unity was restored to the Chinese. Ever since, order in Manchuria has been preserved without serious interruption. While the population of the central areas of China suffered from frequent disturbances, the Chinese in Manchuria enjoyed the benefits of peace and prosperity. An extensive railway system has been established with the participation of

the Japanese-owned S. M. R. and the Russian-owned C. E. R. (in joint management with China) and has proved a very important factor in the development of the country. This not only conveys Chinese travellers and immigrants with safety, but transports the farmers' harvests to the expectant markets.

For the social well-being of the Chinese in Manchuria, while Russians at one time had brought modern education and sanitation into their railway zone in North Manchuria, the Japanese provide extensively for schools and hospitals in the Railway Zone and Leased Territory where the Chinese population amounts to more than 80 per cent. It is a well-known fact that the Japanese in Manchuria were remarkably alert and active in preventing the spread of plague whenever necessity arose, since a dreadful epidemic of bubonic plague broke out in 1910-11 and spread from North Manchuria to the South. Regarding Chinese labour, the South Manchuria Railway and its affiliated corporations and other Japanese industrial plants are to-day employing many hundreds of thousands of Chinese. These Chinese are enjoying far better wages and conditions of living than those employed by native firms and mills.

But the native Chinese in Manchuria themselves have been heavy sufferers under their own rulers. Along with the extension of railways and the development of the country, the products of Manchuria have been stupendously increased in the last quarter of a century, which fact has converted Manchuria into an exporting country.

Manchuria was also kept out of civil strife, while chaos reigned supreme in the rest of China. These combined advantages should have made the people of Manchuria prosperous. Their rulers, Chang Tso-lin, and his successor, Chang Hsueh-liang, however, repeatedly penetrated to Peking in pursuit of military activities and in order to raise campaign funds compelled their Government Banks to issue notes without security. With this depreciated paper money, called "Fengtien-piao" or Mukden notes, as they were issued at Mukden, the Government agents and the banks themselves purchased Manchurian beans from farmers for speculation and sold them in the open market for silver or gold. If the farmers or dealers refused to sell their products owing to the constant decline in the value of such notes, they were coerced into compliance. This constant practice caused extreme suffering to the Manchurian inhabitants as a whole. The more "Fengtien-piao" were issued, the more rapidly their value fell. When the issue of such notes reached over 3,000,000,000 Chinese dollars (in 1930), their value fell to 12,000 against one hundred silver dollars, so that a ten-dollar Mukden bill valued at less than ten cents in silver was hardly appreciated as a tip by the "boy" in the Chinese trains.

While Chang's family and their associates were dominating Man-

churia and Mongolia, they treated the four North-Eastern Provinces as if the region were their own private property. They exacted extortionate taxes, especially from house-owners and traders, and yet exempted those who were in any way connected with Chang's family, or who were favourites of theirs, from all taxes and even from paying for electric light and telephones.

The anti-foreign movement in China has existed at all times in the past. This movement, growing as time went on, reached its climax

**Jeopardizing** when the National Government at Nanking made anti-foreignism one of the principal features of its party platform. It was first directed in 1927 against Great Britain in the Yangtse Valley, next in 1929 against

**Treaty** Soviet Russia in North Manchuria, and then against the Japanese in South Manchuria. As in Manchuria, in recent years, especially since Marshal Chang Hsueh-liang succeeded to the leadership in Manchuria and Mongolia, and since the political agents of the Kuomintang (National Political Party) of the South, and of the Nanking Government, penetrated into Manchuria, the Chinese authorities in Manchuria in connection with political associations (notably the so-called Foreign Policy Association at Mukden), impassioned with the fundamental programme of the National Party—"Recovery of National Rights"—assumed the policy of effecting the unilateral cancellation of solemn international agreements and understandings by their legislative and administrative measures, and often by resorting to unlawful action. Pursuing so perverted a policy toward a friendly nation, the Chinese authorities raised numerous questions seriously affecting or jeopardizing Japan's treaty rights and interests in Manchuria. In each case Japan protested and endeavoured by conciliatory discussion to reach an amicable and practical readjustment. On the part of China, however, not the least sign of sincerity had been apparent in the direction of effecting any sort of settlement; there was nothing but habitual procrastination and excuses. In the meantime the local Chinese authorities, taking advantage of Japan's moderation, embarked on the oppression of Japanese subjects, chiefly Koreans having homes in Manchuria and numbering more than 760,000, and also acted in a manner calculated to ruin the South Manchuria Railway by constructing parallel lines, in defiance of treaty guarantee. There was further a number of cases encroaching upon and threatening Japan's treaty rights and interests; these may be reckoned at over three hundred if the minor cases be included. In an atmosphere of anxiety and perturbation on the part of the Japanese, irritated by the Chinese behaviour in past years, the incident of the blowing up by regular Chinese troops of a section of the South Manchuria Railway on September 18, 1931, "compelled Japan to resort to the necessary measures of self-defence for protection of the life and property of her people and for the safe-

guarding of her rights and interests," as was made clear at the time in a public statement of the Japanese Government.

The Manchurian incident, in the first place, caused something of a sensation in the Council and the Assembly of the League of Nations

**Manchurian Incident and the League Council** which were then in session at Geneva. When the Chinese Representative in the League Council requested that body on September 21, 1931, in conformity with Article 11 of the League Covenant, to take cognizance of the occurrence, the issue was officially entertained as the subject of investigation by the Council.

During the later part of 1931, the Council held three sessions and passed two resolutions. In the first session, the Council, on September 30, passed its resolution unanimously. One of its essential points was the withdrawal of the Japanese troops within the Railway Zone "in proportion as the safety of the lives and property of Japanese nationals is effectively assured." Another point was that an assurance be given by the Chinese and Japanese Governments that they would "take all necessary steps to prevent any extension of the scope of the incident or any aggravation of the situation." But the draft resolution submitted to the Council in the second session, held in October, called upon Japan to withdraw her troops within the railway zone completely by November 16. Fixing a definite date for the complete withdrawal of the Japanese troops was not, however, acceptable, the Japanese Representative stating that the actual situation was rendered particularly dangerous by the presence of ever-increasing gangs of bandits and troops of fugitive soldiers. Then the counter draft resolution was submitted. When the two draft resolutions were put to the vote on October 24, neither of them obtained a unanimous vote. In the third session of the League Council on the Manchurian issue held in November-December, the Japanese Representative suggested to the League to send a commission of inquiry to the spot, the adoption of which suggestion was then recommended by the British Representative and accepted by the Representatives of various other Powers. The resolution unanimously passed on December 10 provided for the creation of an Inquiry Commission "to study on the spot and to report to the Council" with a view "to contribute toward a final and fundamental solution," but subject to its purely advisory character not interfering "with the military arrangements of either party." The new resolution also re-affirmed that which was passed on September 30.

The United States of America, which is not a member of the League, acted generally in concert with the Council after that body took up the issue of the Manchurian incident, as she is one of the foremost signatories to the Nine-Power Treaty and the Anti-War Pact. The United States not only was exchanging views with the Council and contending

parties, but at one time sent an "observer" at the invitation of the League, and also permitted the appointment by the League of an American as one of the members of the Commission of Inquiry. While the Manchurian issue is vital for Japan, the whole people of which nation regard it as a first line of defence, it developed internationally into an extremely delicate situation. The Japanese Government, however, exercised the utmost efforts to make Japan's position clear both to the League of Nations and to the United States. The Minister of Foreign Affairs, Mr. Yoshizawa, in his address before the Diet, declared

"Although there have been occasions when the present incident seemed to lead our country into more or less delicate relations with the League and with the American Government, we have succeeded through a careful and complete presentation of our case in bringing them both to a better appreciation of the position of Japan and of the vital interests she possesses in Manchuria."

Although Japanese and Chinese have found themselves placed for the moment in an embarrassing situation, the restoration of normal relations

**Good Administration** between the two countries would become possible if only China "should recant her anti-foreignism and demonstrate her sincerity in turning over a new leaf." What **Essential** Japan wishes in Manchuria and Mongolia is that her treaty rights and interests should be respected to the fullest extent, so that her people can live and trade with security. Whosoever organizes the Government by Chinese elements, and whatever its form, the administration should be capable of maintaining peace and order in these regions and of fulfilling treaty obligations. Marshal Chang Hsueh-liang and his associates, under whose *régime* Japan's treaty rights and understandings as well as the lives and property of her people had been jeopardized, have disappeared from Manchuria since September 1931, and their troops have practically been withdrawn within the Great Wall. Subsequently, by reason of the peculiar position which Manchuria occupies in relation to China proper and of the inveterate antagonism of the Manchurian people toward the militarist rule of Chang's family, the local leaders made efforts for the maintenance of peace and order in their respective districts, which gradually became a movement for autonomy, an expression of national self-determination. On March 1, 1932, the creation of a new state embracing Manchuria and a part of Mongolia, called the "Manchuria State," independent of the Republic of China, was proclaimed. Mr. Pu-yi, the deposed head of the late Manchu Dynasty (Hsuan Tung), was sworn in as Executive Head of the new "Manchuria State" at 3 o'clock in the afternoon on March 9th, concurrently with the ceremonial inauguration of the new Government in the city of Changchun, now renamed "Hsinking," or "New Capital." The Government of new Manchuria State through Foreign

Minister, Hsieh Chieh-shih, sent out on the 14th of March a note to seventeen countries including France, Great Britain, Germany, Italy, Japan, the United States and others, and invited their recognition of the new state. The new Government declared in this note, as in the proclamation of independence, their intention to perfect the institution of laws and to establish security for life and property, contrary to the "corrupt discipline," "outrageous exactions" and "anti-foreign policies" which were characteristic of the old militaristic Government. The note further proclaimed the faithful observance of the principle of the Open Door relating to the economic activities of the peoples of foreign nations within the State of Manchuria. The recognition of this new state by Japan and other foreign states must depend on how far it is capable of maintaining peace and order and of fulfilling treaty obligations.



# I GEOGRAPHY AND ADMINISTRATION

## 1 Situation and Climate

The name "Manchuria" is to-day familiar to Japanese and other foreigners. This region has hitherto been called by the Chinese "Tung-sze-hsing" or the "Four Eastern Provinces," since Jehol District, formerly of Inner Mongolia was added as a province, in 1929, to the so-called "Three Eastern Provinces" of Amur, Kirin and Mukden. Colloquially, the whole area where Japan has such extensive interests is called "Man-Mo" by the Japanese, using the first syllables of the Japanese names Manchuria and Mongolia. The geographical terms "North" and "South" Manchuria are frequently used in the newspapers and other publications, but no clear demarcation between the two has ever been established. Russia first made the distinction in a treaty document, namely, in Article III of the Supplemental Agreements between China and Russia of July, 1898, in re the Chinese Eastern Railway. Again, the terms are frequently used in the Sino-Japanese Treaty of May, 1915. So far as transportation facilities are concerned, it is much safer to say that South Manchuria is the territory served by the South Manchuria Railway, while North Manchuria is that served by the Chinese Eastern Railway. In the Proclamation of Independence of the Four North-Eastern Provinces and a part of Mongolia made on March 1, 1932, the whole region is called "Manchu Kuo (滿洲國)," or "Manchuria State."

Manchuria lies at the north-eastern extremity of the Chinese Republic. Its present area is some 460,000 square miles; that is, about 80,000 square miles larger than the area of Egypt, including the Libyan Desert, or more than half the size of Mexico. It extends between lat. 38°43' and 53°30' North, and long. 117°50' and 135°20' East. It is bordered on the north by Siberia, the Amur River being a natural boundary. Its eastern boundary, between the Maritime Province of Siberia and Korea, is marked by the Ussuri, Tumen and Yalu Rivers. On the west, its borders touch Outer Mongolia, Eastern Inner Mongolia and China proper. Finally, in the south, Manchuria is washed by the waters of the Yellow Sea and the Gulf of Pechihli. The coast line of Manchuria from the mouth of the Yalu River in the east to Shanhaikwan measures 855 nautical miles, or 976 geographical miles.

Manchuria is traversed from north to south by two large mountain ranges — the Khingans, Great and Little, in the north-western section, and the Changpai mountains near the south-eastern boundary. Between these, extensive valleys, containing the most fertile lands, stretch in a south-westerly direction towards Eastern Inner Mongolia and the Gulf of Pechihli. The mountainous regions are rich in timber and minerals, es-

pecially coal. Several great rivers with many tributaries, running through the valleys between the mountain ranges, serve not only to irrigate the regions through which they pass, but also as a means of navigation. They are the Amur, Sungari, Ussuri, Yalu, Tumen and Liao Rivers. Though frozen in winter, each of these waterways plays an important part in the commercial traffic during other seasons, this having been the case especially before the present railway communications came into existence.

The climate in Manchuria is more continental than that of Japan, Korea, France, England or Germany, though Manchuria lies practically within the same zones as the northern latitudes of these countries. It is less affected by ocean currents, but is greatly influenced by the proximity of the Mongolian desert. Manchuria is naturally much drier than Japan and Korea, and has long, severe winters and short, hot summers. The spring season is windy, terrific winds occasionally coming from the Mongolian plains. These are called by the Chinese "Huang-tu" or "Yellow dust," literally translated. The following table shows the temperatures of the four seasons of the year 1930, in centigrade, in important localities:

Locality	January	April	July	October
Dairen .....	- 6.1°	9.5°	23.8°	13.2°
Mukden .....	-13.7°	10.2°	25.1°	9.4°
Newchwang .....	-10.9°	9.9°	25.4°	10.7°
Changchun .....	-16.1°	8.7°	24.6°	7.8°
Harbin .....	-19.1°	7.1°	24.0°	6.9°

## 2 Area and Population

The taking of a census or cadastre survey after the methods adopted by modern nations has not been attempted as yet in Manchuria, except in the Japanese Leased Territory and Railway Zone,\* and naturally estimates of area and population of the region have varied in some degree. This is especially the case with regard to population, changes in which have become significant owing to the recent heavy migration from China proper. Estimates of the total area of the Four North-Eastern Provinces made by the Chinese authorities give 5,354,856† Chinese square li, or 685,957 square miles, which seem rather exaggerated. The following figures of area and population, estimated by the Research Office of the South Manchuria Railway Company at the end of 1930, are probably the more reliable:

Province	Area in sq. miles	December 31, 1930.	
		Population	Pop. per sq. mile
Mukden .....	71,508	15,151,630	212
Kirin.....	103,379	9,191,980	89
Amur (Heilungkiang) .....	224,944	5,321,370	23
Jehol .....	60,550	4,670,000	77
Total.....	460,381	34,244,980	Av. 74

\* The Japanese Leased Territory and Railway Zone, covering 1,400 square miles represent but a fraction of Manchuria, about the 273rd part.

† "Year Book of the Four North-Eastern Provinces" (東北年鑑). 1st edition 1931, p. 102.

Although the indigenous peoples of Manchuria are the Manchu and Mongolian, ninety per cent. of the present population of 34,000,000 are Chinese. The population in 1907 was estimated at from sixteen to twenty-two millions. The increase is in great measure due to the constant movement of Chinese immigrants, especially the most extraordinary movement north of refugees in recent years. The average population per square mile in Manchuria is 74, or about the same as in European Russia, and considerably greater than that of the United States as a whole, which was recently placed at 35.5. But, in comparison with Japan proper, in which the average per square mile is 453, Manchuria is thinly peopled.

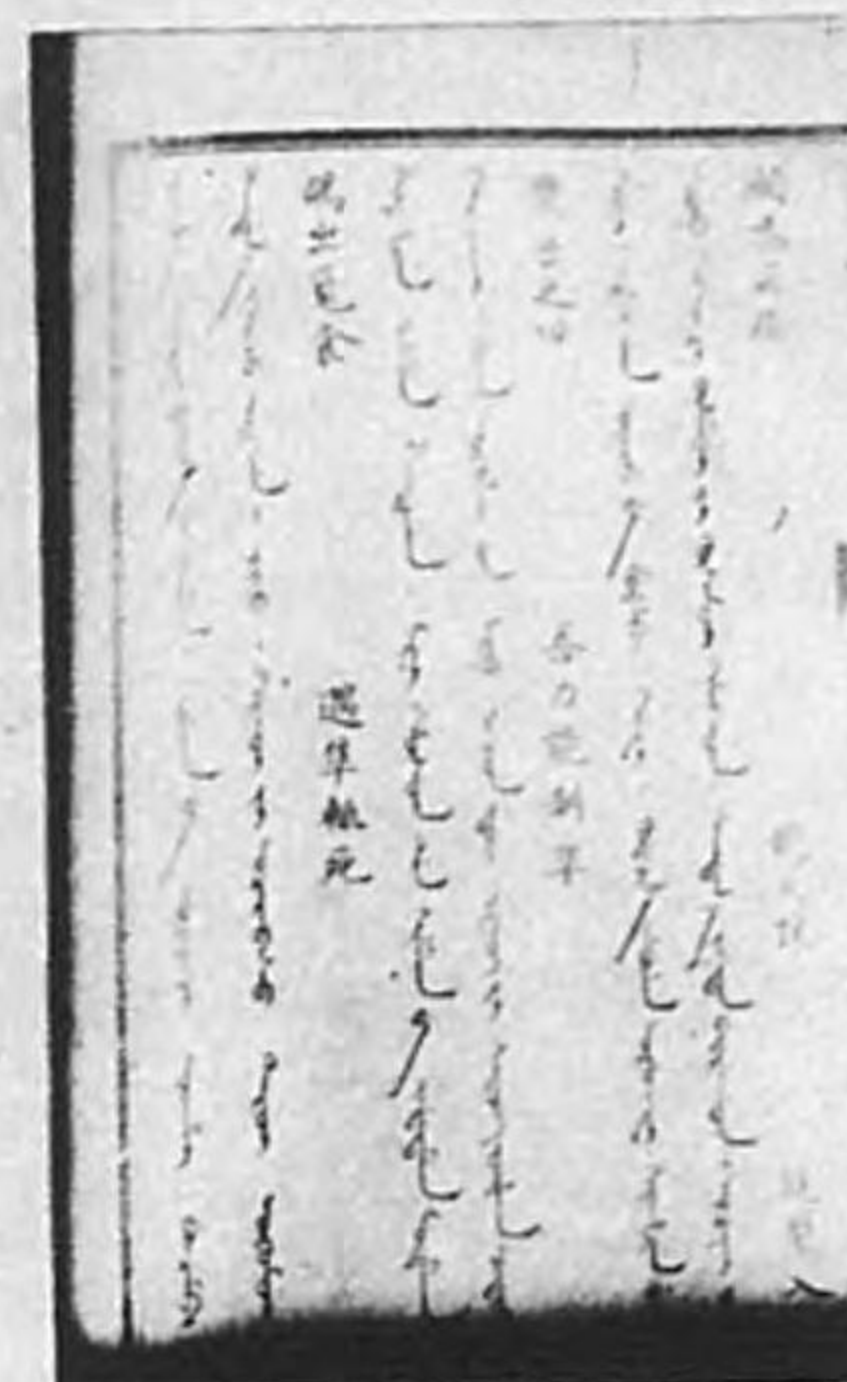
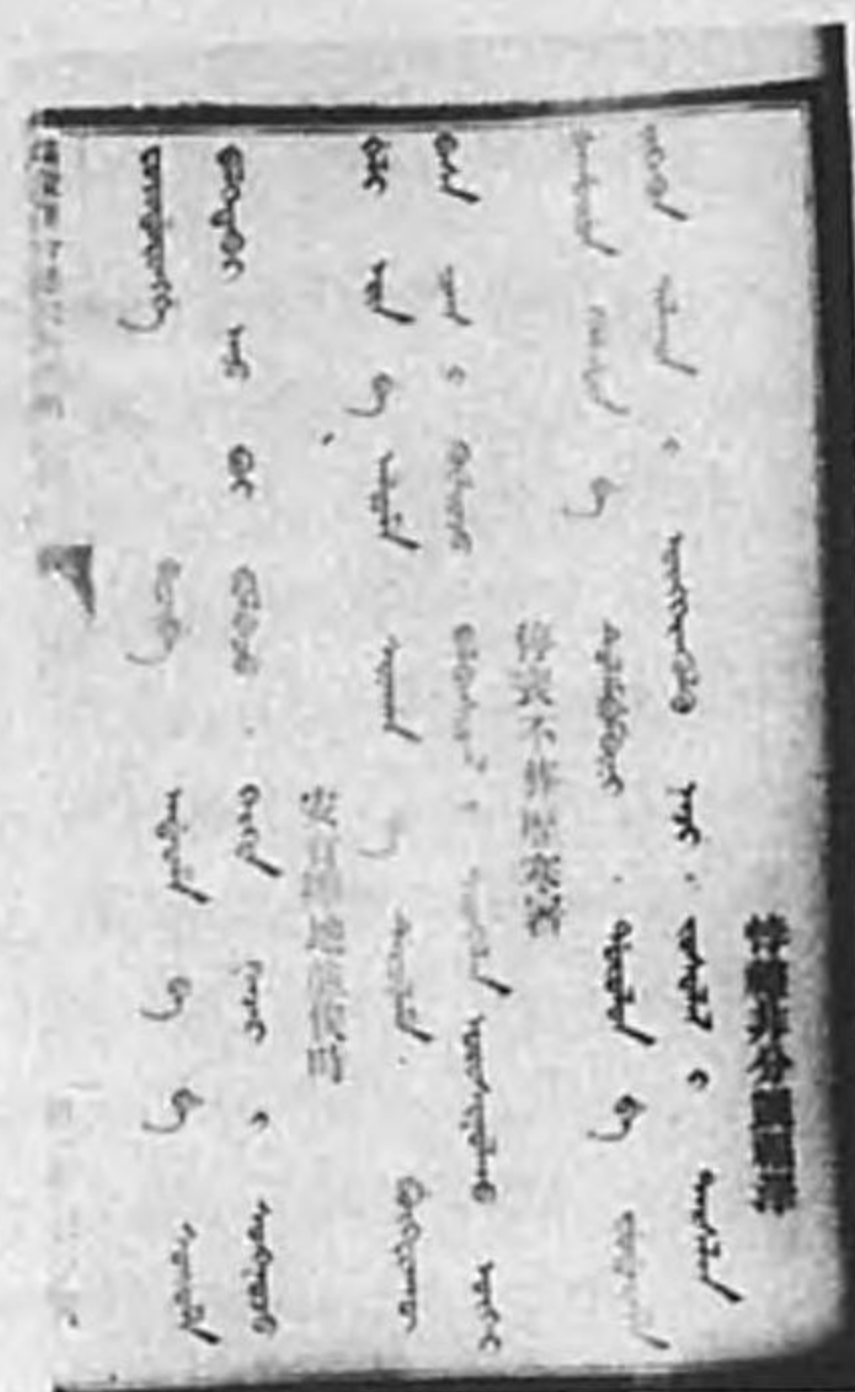
The alien population of Manchuria includes 768,280 Koreans, 240,108 Japanese, 90,779 Russians, and 518 British, 489 Germans, 149 French, 213 Americans and 1,333 other nationals, according to estimates made in 1931.

### 3 Languages in Manchuria

More than ninety per cent. of the population of Manchuria being Chinese, the Chinese language is generally spoken and written. The aboriginal Manchus and Mongols still live in the far interior of mountain range or open plain, more particularly in the Sansing and Ninguta districts of Kirin Province, and the Hailar districts of Amur Province, and they naturally use their own languages. The Manchus have used the language of their ancestors from time immemorial. But their written language was adopted as late as 1599, when Nuerhachi, the founder of the Manchu dynasty, ordered his subjects to adopt the writing then used by the Mongols. The Mongolian alphabets which were adopted through Uigurs from a Syriac or Mandaic source are written vertically from left to right in contrast to the Arabic or Persian language which is written horizontally from right to left. The Manchus have slightly altered the Mongolian to suit their own pronunciation. After the Manchu dynasty was established, the Manchu had become its official language, the authorities vigorously endeavoured to enforce its use by the Chinese by writing Manchu with the Chinese translation. It is said that there exist to-day about 250 works of Manchu literature, nearly all of which are translations from the Chinese classics, some being historical and metaphysical works, others literary essays, novels, poems, laws and regulations, imperial edicts, dictionaries, phrase books, etc. Manchu and Mongolian, however, are not altogether dead languages, as is evidenced by the fact that in the Hailar plain where the population is about 80,000, the local government office still issues and distributes official documents in the local Manchu, while a newspaper is published in this language.

### 4 Koreans in Manchuria

As already stated, more than 760,000 Koreans to-day have their homes in Manchuria. One part of Manchuria has been their home-



Manchurian Letters Accompanied with Mongolian and Chinese Translations



Dwellings of Native Manchu



Dwellings of Native Mongolians in the Vicinity of Hailar

land from ancient times, the aboriginal tribe being known as Kaoli by the Chinese. This tribal kingdom (37 B. C.—668 A. D.) once dominated the northern part of Korea and South Manchuria, the Liao River being its western boundary. Remains of stone walls of castles built by the old Kaoli on Tahoshan, the mountain near Chincho, in the Japanese Leased Territory, and Fenghuang Mountain, near Fenghuangcheng station on the Antung-Mukden Railway, are still in existence. The site and ruins of a castle built by the Kaoli several miles north of Taonan, the terminus of the Ssuping-kai-Taonan Railway, have been recently surveyed very thoroughly by Dr. Torii and Mr. Komura, famous archaeologists. In the course of railway construction in South Manchuria, many historic remains of old Korean work — bricks, tiles, earthenware, coins, and copper ware — were unearthed. When the Kwantung Government commenced in 1931 to construct another paved road between Dairen and Port Arthur, many remains of Korean occupation, such as primitive earthen and metallic ware, were found, specially during the work of road excavation in Yingchengtzu, a village midway between the two cities. It was the Koreans in Manchuria who first utilized some 600 years ago the Fushun coal for the baking of earthenware. When the Manchu dynasty came to dominate China, Manchuria was made a Forbidden Land, and remained so for many generations, not only to foreigners, but more particularly to the Chinese themselves, being held sacred as the home of the Manchu. The government of the Ye dynasty of Korea (1392–1910) also maintained for centuries a policy of seclusion until 1883, when the edict prohibiting emigration was repealed. However, long before the edicts prohibiting immigration and the prohibition against emigration were repealed, Koreans commonly crossed the boundary to Manchuria to collect placer gold and the famous ginseng root for medicine.

In Chientao District, lying north of the Tumen River, covering a territory of about 9,864 square miles contiguous to the Korean frontier, there have been numerous Korean inhabitants, indeed, as many as three times the number of Chinese. The question of the right of possession of this area had been pending for generations. By the Sino-Japanese Agreement signed on September 4, 1909, (1) the main stream of the Tumen River being recognized as the boundary between Korea and Manchuria, the so-called Chientao District became Chinese territory; (2) China recognized the right of residence of Koreans within the District; (3) Koreans were to submit themselves to the laws and jurisdiction of China, but were to receive treatment equal with that accorded Chinese subjects as to protection of land and property, taxation and other administrative measures.

Chientao District in Manchuria, deserted for centuries, was actually developed by the Koreans. When the boundary question was settled in 1909, the Korean population totalled 83,000, against 27,000

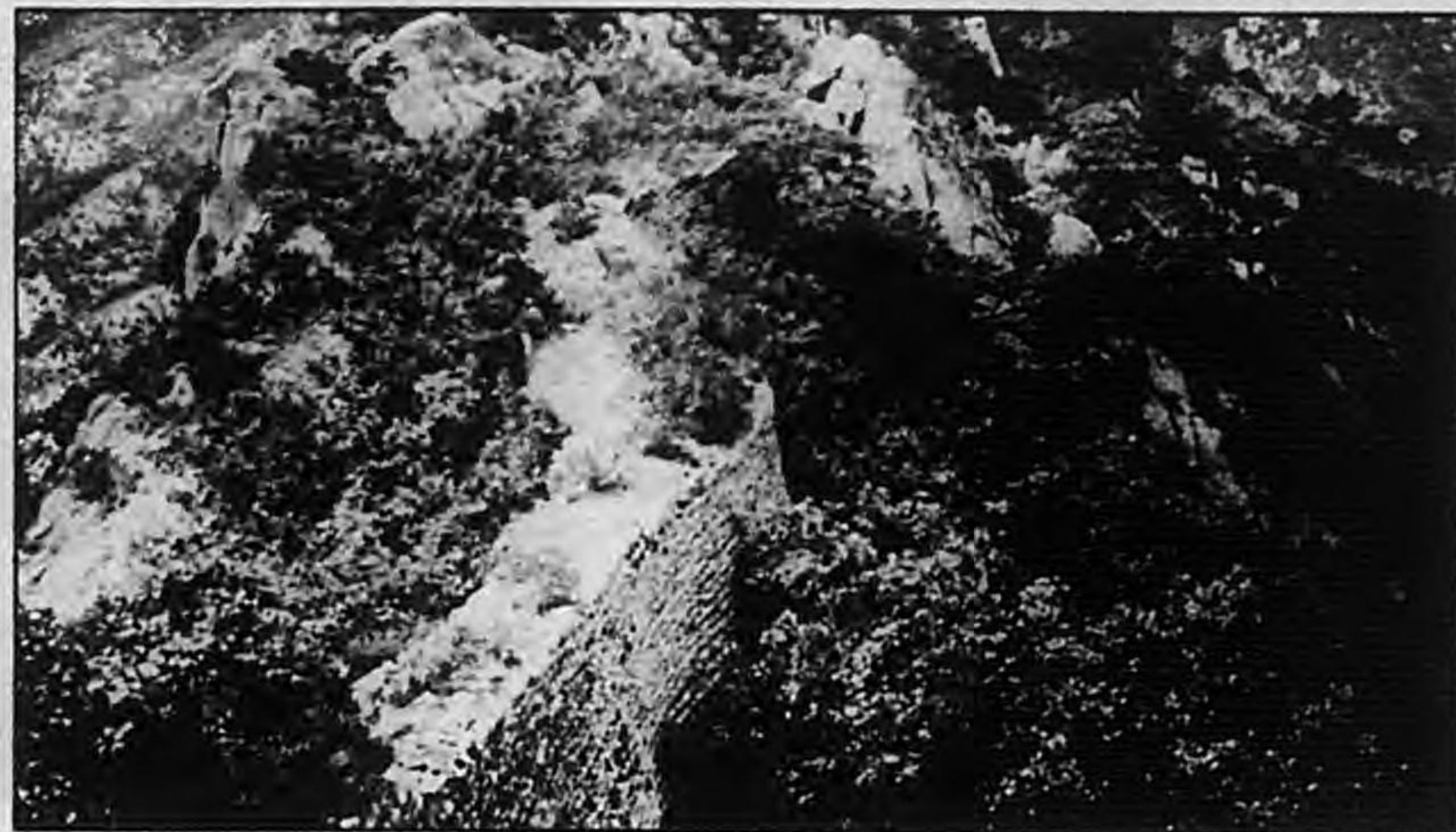
Chinese. In 1930 the figures had increased to 381,561 against 116,666 Chinese. The total population of Koreans in Manchuria to-day being estimated at about 760,000, it will be seen that more than half have their homes in the Chientao District. Koreans now play an important part in developing the agricultural resources of Manchuria as rice growers in the low-lying and marshy districts, which the native farmer, or the ordinary Shantung immigrant, who is accustomed to dry crops, has hitherto neglected. The paddy cultivation in Manchuria prior to the Russo-Japanese War was almost negligible. But it has markedly developed during the last quarter century with the increase of Korean immigration, and paddy cultivation aggregated 151,013 acres, and the crop 6,596,190 bushels, according to an estimate made at the end of 1930. These figures may be easily doubled in the near future, if Korean farmers receive the protection due to them.

Indeed, the Korean farmer in Manchuria, with his peculiar skill in the cultivation of rice, has steadily pushed on in the work of clearing swamps, which were not attractive to Chinese and were, of course, neglected. Chinese, who are keen for any profitable undertaking, have recently come to be more appreciative of the value of this department of agriculture, which yields a profit four to five times as great as upland farming, and have made the Korean farmer pay increased rent and exorbitant taxes. The Chinese have forced naturalization on the Koreans, confiscating reclaimed land and heavily penalizing those unwilling to surrender their nationality. There have arisen many cases as bad as the recent Wanpaoshan incident, which will be treated later.

### 5 Immigration

For centuries past, Chinese and Koreans have migrated to Manchuria. After the Mings drove out the great Mongol ruler in 1368 and occupied the southern part of Manchuria, hundreds of thousands of Chinese settled in the Liao Valley, but while the Manchus engaged in prolonged warfare with the Ming dynasty, most of the Chinese fled for safety to their native provinces. The Manchu dynasty, after it had destroyed and superseded the Ming dynasty, adopted a drastic policy, excluding the Chinese from Manchuria. A primitive form of passport, called Lu-piao, was issued, without which no person could pass the border at Shanhaikwan. Although this and other exclusion laws existed nominally until 1905, when they were nullified by the Military Governor of Mukden, many Chinese, mainly from Shantung and Chihli Provinces, managed to enter by way of the sea, landing on the coast at points now occupied by Newchwang and Port Arthur, and sailing up the Yalu River by means of junks. They continued to increase in numbers.

After the Russo-Japanese war, the extension of railways, which was followed by agricultural and industrial developments, encouraged further immigration. The total of Chinese coolies landed during the



Remains of Old Castle Built by Koreans at Fenghuang near Antung-Mukden Railway



Koreans at Work in Rice Field in Manchuria



Korean School in Manchuria

period 1922-25 at Dairen, Yingkou and Antung, or transported by the Peking-Mukden Railway, was estimated at from 400,000 to 500,000 a year, but the number increased considerably from 1926 onwards, as is shown by the following table:

Year	Dairen		Yingkou		Antung		Peking-Mukden Railway		Total
	No.	Per-centage	No.	Per-centage	No.	Per-centage	No.	Per-centage	No.
1923.....	172,014	40	77,087	18	46,577	11	138,011	31	433,689
1924.....	167,206	34	61,904	13	42,641	9	210,719	44	482,470
1925.....	197,392	37	96,647	18	40,740	8	197,991	37	532,770
1926.....	267,062	44	124,743	20	48,287	8	167,260	28	607,352
1927.....	599,452	51	182,558	15	68,599	6	327,645	28	1,178,254
1928.....	506,553	54	152,556	16	52,703	6	226,660	24	938,472
1929.....	512,947	49	148,557	14	53,557	5	331,210	32	1,046,271
1930.....	377,841	47	140,161	17	34,703	4	257,295	32	810,000

Of the immigrants arriving during the 1922-25 period, 50 per cent. or more, according to statistics taken at Dairen, where such estimates are most accurate, were merely seasonal labourers who returned to their homes in the late fall, when the harvest work was finished. That is to say, a little less than half remained as permanent settlers in Manchuria. But a marked increase occurring in 1926, and a still more extraordinary increase in 1927, constituted virtually a new phenomenon. Civil war between the South and the North was raging in 1926. Especially in Shantung, Chihli and Honan Provinces, warfare, the prevalence of banditry, tax extortion, etc. drove out the native population, who were desperately seeking refuge and the benefits of peace and order which Manchuria only offered. In the late autumn of 1926, contrary to the tendency during the same season of any previous year, many hundred thousands of Chinese immigrants arrived and continued to enter in increasing numbers throughout 1927, during which year, it was estimated, no less than 1,178,000 persons arrived, itself a record. Though the civil war ended in June, 1928, conflicts again broke out, one after another, south of the Great Wall, in 1929 and 1930, and continued till the autumn of 1930. Thus the extraordinary movement of population continued in those years, as shown in the table. Refugee immigrants in recent years, bringing with them their families and chattels, arrived with the determination to settle permanently in Manchuria. The table below shows the estimated number of migrants returning home and the numbers remaining in Manchuria as settlers:

Year	Migrants arriving	Returning home	Remaining in Manchuria
1923.....	433,689	240,565	193,124
1924.....	482,470	200,045	282,435
1925.....	532,770	237,746	295,024
1926.....	607,352	323,694	183,658
1927.....	1,178,254	341,959	936,295
1928.....	938,472	394,247	544,225
1929.....	1,046,271	621,897	424,374
1930.....	810,000	560,000	250,000

## 6 Administrative Divisions

Manchuria, hitherto called the "Three Eastern Provinces," comprised the provinces of Amur, Kirin and Mukden. Jehol, Charhar and Suiyuan, situated in Inner Mongolia and formerly known as "Special Administrative Districts," were created separate provinces in September, 1928, by the National Government. Since the new Chinese national flag was adopted in Manchuria on December 29, 1928, the territory embracing Amur, Kirin, Liaoning (Mukden) and Jehol, has come to be called "Four North-Eastern Provinces" (東北四省). The administrative, judicial and military powers maintained in the Railway Zone of the Chinese Eastern Railway by the Russians were assumed by the Chinese authorities in 1920, and the zone was named the "Special Administrative District of the Eastern Provinces (東省特別區)." The administrative divisions of Manchuria and the eastern part of Inner Mongolia were represented by the four provinces and the special administrative district of the Chinese Eastern Railway Zone, above referred to, excluding the Leased Territory of Kwantung Province and the Railway Zone of the South Manchuria Railway, both of which continue under Japanese jurisdiction.

Following the precedent of the National Government at Nanking, a Committee system was adopted in the administration of Manchuria. General administration and political affairs were placed in 1929 under the supervision of the North-Eastern Political Commission (東北政務委員會), the Chairman of which was Marshal Chang Hsueh-liang, Commander-in-Chief of the Four North-Eastern Provinces Frontier Defence Army. The local administration of each province was conducted by the provincial Government Commission, composed of from nine to thirteen members and a Chairman. In the provincial governments of Manchuria, the chairmanship of each Government Commission was assumed by the Vice-Commander-in-Chief of the North-Eastern Army, these being Generals Chang Tso-hsiang, Wan Fulin and Tang Yu-lin, except in Mukden Province, where the Chairman was a civil appointee. When the Sino-Japanese collision occurred on the night of September 18, 1931, Marshal Chang Hsueh-liang and the Vice-Commanders-in-Chief named were absent from their posts in Manchuria, being in Peking or Chinchow. Subsequently, General Hsi Ch'ia (羅洽) was elected Chairman of Kirin Government, Chang Ching-hui (張景惠) Director of the Special Administrative District was elected Chairman of Amur Government, and Tsang Shih-i (臧式毅) Chairman of Mukden Government. These Provincial Governments provisionally declared their independence one after another. Finally, on March 1, 1932, the provinces and districts north-east of the Great Wall,—Mukden, Kirin, Amur, Jehol, North East Special District and several Mongolian Banner districts—combined and proclaimed in the name of the "Manchuria State (滿洲國)" their independence of the Republic of China.

## 7 Manchurian Bandits

Mounted banditry in Manchuria and junk piracy on the sea coasts have been common since time immemorial. The frequent occurrence of such activities at the present day seems to indicate that it is beyond the ability of the Chinese authorities to eradicate the evil. Banditry is one of the undesirable features of life in Manchuria.

As alluded to in the previous Report, bandits in Manchuria were estimated in 1929 to number over 57,000. There were some 17,000 in Mukden Province, and over 10,000 each in Kirin, Amur and Jehol Provinces. To-day they must have greatly increased, as scores of thousands of refugee soldiers belonging to the North-Eastern Army have turned bandit since the Sino-Japanese conflict broke out in September, 1931.

Among the refugee immigrants from Shantung, Chihli and Honan Provinces, some have been professional bandits, and even those farmers who have come to Manchuria as permanent settlers often indulge in such lawlessness as an avocation whenever opportunity presents itself, when farming is slack, or famine exists. Moreover, if the government army failed to pay wages or disband these mercenaries, officers and men in association with the original bandit-soldiers became regular bandit groups. On the other hand, many bandits were enlisted in the North-Eastern Army; hence to a great degree the lax moral and military discipline that existed.

Roving bands of uncouth, red-bearded Russians in Siberia during the eighteenth and nineteenth centuries, called by the Chinese "hunghutzu," which literally means "red-beard," preyed upon the Chinese who had settled near the Siberian border in North Manchuria. These old Russian brigands gradually disappeared after the construction of the Chinese Eastern Railway, and their place was practically taken by Chinese bandits. In recent years, many "white" Russians in North Manchuria followed a similarly lawless life, menacing the Chinese Eastern Railway and the lives and property of Soviet Russians in the railway zone. Soviet Russia, though managing the railway jointly with China, has to-day no jurisdiction in the railway zone, all administrative authority having been taken over by Chinese in 1922. Soviet Russia has often complained of the inability of the Chinese authorities to maintain their undertaking to control the "white" Russians, as provided in the Habarovsk Protocol signed on December 22, 1929. In addition, Mongolian bandits have often menaced the western section of the Chinese Eastern Railway as well as the new Taonan-Angangchi Railway.

Another form of banditry in Manchuria has come into existence in recent years. After Soviet Russia had rigorously enforced its policy in the Maritime Province, destroying the right of private property and adopting forced labour, some thousands of Chinese and Koreans

in the province crossed the boundary and poured into Kirin Province, especially the Chientao District, where many of these refugee immigrants, already inoculated with the communistic idea, joined forces with the original Chinese bandits. These combinations of Korean and Chinese communists and bandits inflicted serious damage, May 29-31, 1930, on the Kirin-Tunhua Railway and Tumen-Tienpaoshan light railway, and on peaceful Korean farmers and Japanese residents in the Chientao District. But they were promptly repressed by reinforcements of police sent from Korea.

Following the incident of September 18, 1931, the activities of the combined forces of Manchurian bandits and many fugitive soldiers of the North-Eastern Army, armed with modern weapons, such as cannon and machine-guns, forced the Japanese troops to repeatedly engage in military operations at many points in Manchuria, where Japanese life and property were exposed to the desultory, or often organized, attacks of these bandits. Such encounters, including the major engagements at Nonni River, Chinchow, Harbin, Ninguta and Nungan since the outbreak of the incident up to March, 1932, number no less than 208.

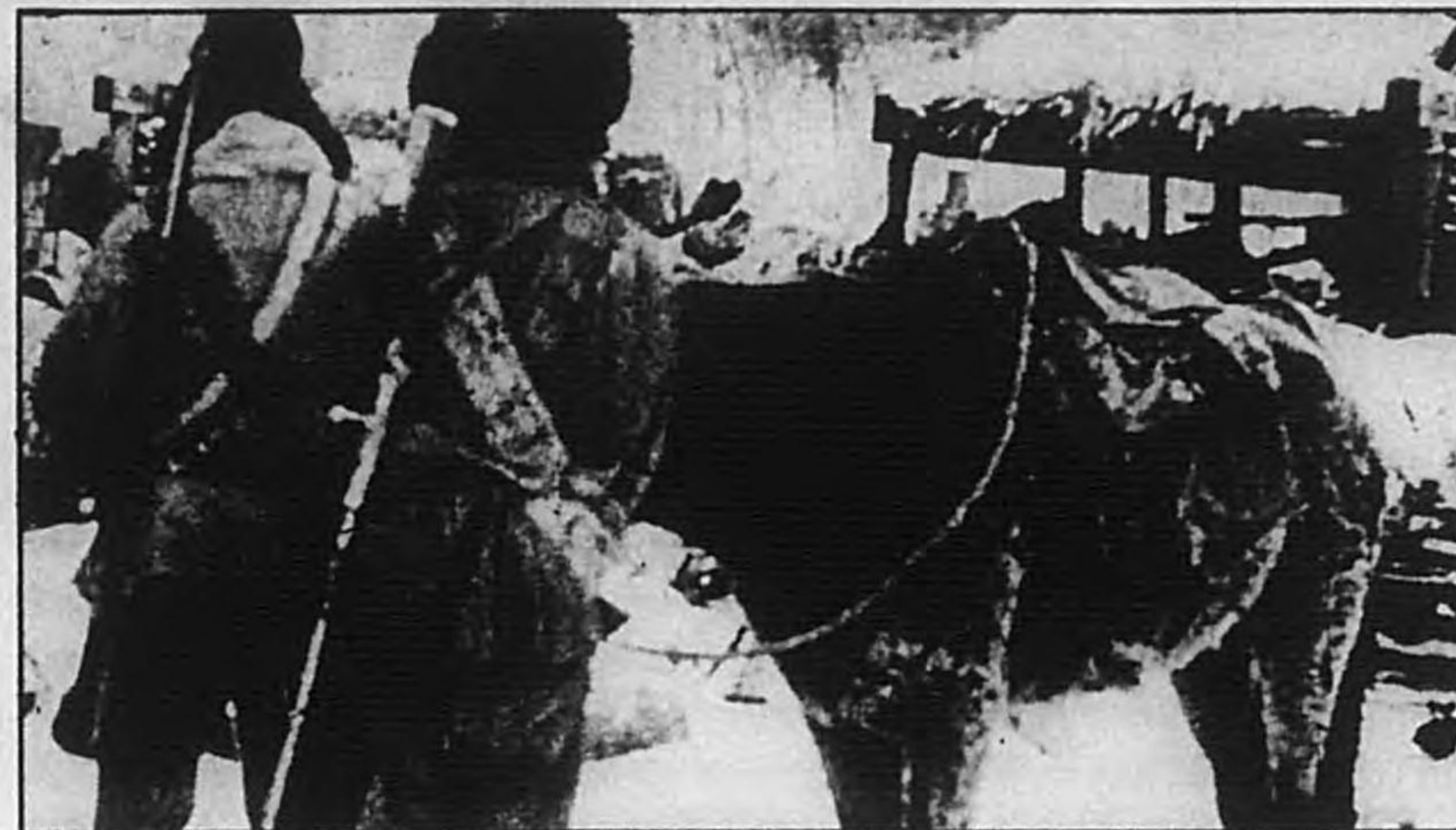
#### 8 Peace and Order

The maintenance of peace and order in Manchuria, in which Russia participated up to 1919 in her Railway Zone, has since been undertaken by the Chinese authorities in the whole of Manchuria, with the exception of the Japanese Railway Zone and Kwantung Leased Territory, where Japanese authority prevails.

Manchuria, or the Four North-Eastern Provinces, as the region is called by the Chinese, maintained a standing army 414,000\* strong as it existed on September 1, 1930, of which 227,600 were in Mukden Province, 81,000 in Kirin Province, 57,000 in Amur Province, and 48,500 in Jehol — an aggregate representing twice the numerical strength of the standing army of the Japanese Empire. Of the total force of 414,000, about 110,000 men were stationed in Chihli and Honan Provinces, chiefly along railways beyond Manchuria. This was the result of intervention in the civil war between the Nanking Government and the coalition armies of General Yen Hsi-shan and Feng Yu-hsiang, which was stopped on September 18, 1930, by the armed intervention of Marshal Chang Hsueh-liang, Commander-in-Chief of the North-Eastern Frontier Defence Force.

It is not pleasant to touch on the subject of the character of Chinese soldiers in the mass. But the facts are that their lack of discipline often produced unpleasant, even rather dangerous, events, especially when involving the life and property of foreign nationals. A wanton atrocity was committed about June 27, 1931, in the killing of Staff-Captain

\* The China Year Book 1931, p. 426-7.



Manchurian Bandits of Present Day



Bandits Setting out on an Expedition from Camp



Engagement of Japanese Railway Guards against the Bandit's Attack

Shintaro Nakamura, of the Japanese Army and his companions by regular soldiers belonging to the Khingan Reclamation Division of the Mukden Army. The South Manchuria Railway, constituting a part of the world route, no less than the Suez or Panama Canals, has been not only constantly disturbed by Manchurian bandits, but more than once threatened by Chinese soldiers in recent years. Chinese soldiers destroying the South Manchuria Railway track at 10.30 p. m. on September 18, 1931, and the ensuing engagement with the Japanese railway guards precipitated the Sino-Japanese conflict in Manchuria, in which Japan was compelled in self-defence to safeguard her treaty rights and interests.

Inasmuch as Japan has heavily invested in Manchuria and Mongolia, where her many nationals, especially Koreans, have homes even in the far interior beyond railway zones and consular districts, and whence Japan obtains annually a huge amount of raw materials for her industry and of foodstuffs for her ever-increasing population, she keenly felt herself responsible for the maintenance of peace and order in these regions. When Chinese civil wars or other disturbances threatened order in Manchuria, Japan took warning measures more than once to prevent the spread of such disturbances.

At the time when the civil war between Marshal Wu Pei-fu, of the Peking party and Marshal Chang Tso-lin, of Mukden, took place in the autumn of 1924, the Japanese Government sent a note, on October 13, warning the belligerent parties to refrain from any actions that might cause loss and damage to life and property of the Japanese nationals. Again, in December, 1925, when Kuo Sung-ling revolted against Chang Tso-lin, the Commander-in-Chief of the Japanese Army Kwantung District sent, on December 8, a warning note to the contesting parties reminding them of the importance of the Japanese special position in Manchuria, which should not be menaced by any warlike operations. A week later, December 15, when fighting was impending, General Shirakawa sent a second note to the Commanders of both contending forces, warning them that the Japanese Army would not tolerate any warlike actions by the Chinese armies within 12 kilometres of the South Manchuria Railway Zone, and advising them to take up with the Japanese Government any negotiation regarding this warning if they so desired. Civil war in China again became acute in May, 1928, and when the fighting between the army of Chang Tso-lin, then at Peking, and the southern coalition armies, headed by General Chiang Kai-shek, Marshal Feng Yu-hsiang, and General Yen Hsi-shan, was developing in the direction of Peking and Tientsin, the Japanese Government, under Baron Tanaka's Ministry, through its Minister at Peking and its Consul-General at Shanghai, handed to the belligerent parties a warning Memorandum (May 18) which stated in part that "should the disturbances develop further in the direction of Peking and Tientsin and the situation become so menacing as to threaten the peace and order



of Manchuria, the Japanese Government, on its part, might possibly be constrained to take appropriate and effective steps for preserving peace and order in Manchuria." Such steps were to prevent, to as great an extent as possible, the defeated troops or those in pursuit, whether they were Southern or Northern, from entering Manchuria. The reason for this warning lay in the fact that Japan desired, as far as possible, to prevent Manchuria from being involved in the civil war. One day ahead, the representatives of the leading Powers in Tokyo were handed a similar statement. It is said that both the Peking and Nanking Governments formally denounced the Japanese course of action. But whether the belligerent parties had exhausted themselves, or whether they observed the Japanese warning, it was a fact that Chang Tso-lin retreated to Manchuria without risking battle for the possession of Peking and Tientsin, and that the Southern Coalition showed no desire to invade Manchuria. Manchuria was thus once again saved from serious disturbance.

For the maintenance of peace and order in the Railway Zone and the Leased Territory under Japanese rule, the Governor-General was originally charged with police administration and military duties; but since the Governor-General was replaced, in 1919, by the Governor of Kwantung, a civilian appointee, while the Governor retains police power, the military power has been wholly transferred to the Commander-in-Chief of the Kwantung Army. To maintain the garrison army and railway guards, Japan today spends 16,000,000 yen annually, while the Japanese police administration annually costs more than 4,000,000 yen. And, in times of crisis, such as Kun Sung-ling's revolt against Chang Tso-lin in 1925, spread of the revolutionary war of the Southern military coalition against Chang Tso-lin toward Manchuria in 1928, and the Manchurian incident of 1931-2, whenever civil war or other disturbance has threatened, in a manner calculated to affect Japanese life and property, Japan has spent more. The Japanese Army spent about 65,000,000 yen in the period of six months from the outbreak of the Manchurian incident on September 18, 1931. Indeed her participation in maintenance of order in Manchuria is costly to Japan. Yet constant peace in Manchuria is of vital importance since "this region is Japan's defence and life-line," as the Minister of the Army, Lieut.-General Araki, stated in an address at the reception dinner given in honour of the Inquiry Commission headed by Lord Lytton. What Japan wishes, as far as possible, is that Manchuria be not involved in civil war or other disturbance, so that civilized people can live and trade with some guarantee of safety, as the Premier recently stated in his speech in the Diet, Mr. Inukai adding that since the North-Eastern Army at Chinchow had withdrawn to a point inside the Great Wall, he hoped that Manchuria would eventually be a "paradise" for Chinese as well as foreign nationals.

## II HISTORICAL BACKGROUND

### PART I MANCHURIA IN THE PAST

#### 9 The Great Wall

The Great Wall, begun by Chao Hsing, monarch of the Yen Kingdom, in 255 B. C., lengthened and completed in 214 B. C. by Shih Huang-te, the first Emperor of the Chin Dynasty, so that it extended over 2000 miles from its western extremity in Shensi Province to the Gulf of Pechihli was designed as a defence against the assaults on the empire by the Mongolian and Manchurian tribes which early Chinese annals mention as the Tung-hu and the Hsing-nu (Huns).

These tribes were treated by the Chinese as alien enemies for centuries, and the territories north-east, beyond the Great Wall, as alien or enemy lands, except during the Han, Tang and Ming Dynasties, which extended their rule to parts of Manchuria and Mongolia. On the other hand, Manchurian and Mongol Tartars, or rulers such as Kitan, Kin (Nu-Chen), Genghis Khan, or the Later Kin (subsequently called the Manchu Dynasty of China), ruled part or the whole of China. During the era of the Manchu Dynasty, Manchuria was a sort of reserve or crown land separate from China proper. Even in the present century, though incorporated with China proper by an Imperial Edict of 1907, and recognized as an integral part of China in foreign treaties, Manchuria was left to the de-facto rule or management of a Regional ruler or "Commander-in-Chief." As a matter of fact, Chang Tso-lin, not recognizing the authority of the National Government then at Peking, independently concluded an agreement relating to the Chinese Eastern Railway with the Soviet Government. Japan's warning Notes of 1928 sent to Chang Tso-lin and to the Southern Armies, headed by General Chiang Kai-shek, not to carry their warfare east of the Great Wall, saved Manchuria from civil war. Although the Four Eastern Provinces, like other provinces of China proper, were formally brought under central government control, these provinces have been left more and more to autonomous local management under Marshal Chang Hsueh-liang, the successor of Chang Tso-lin, by virtue of the influence established by his father and conditions peculiar to Manchuria. The Great Wall, however, and its eastern terminal, Shanhaikwan, still possess the greatest political significance in relation to Manchuria. After the Sino-Japanese clash of September, 1931, provinces east of Shanhaikwan, namely Mukden, Kirin and Amur Provinces, provisionally declared their independence. As stated in previous chapters, these provinces and the special districts in old Manchuria and Mongolia outside the Great Wall, were merged into a new political entity called the Manchuria State, the independence

of which from the Republic of China was proclaimed in March, 1932.

### 10 Tribal Kingdoms

Among Manchuria's aboriginal tribes, the race of people called the Tungus, as early as 2000 years before the Christian era, must be considered the chief. The ruling tribes were known among the Chinese by different names, such as the Sushen, I-lon, Tung-hu, Mieh-mo, Fuyu, Kaoli (Koreans), Kitan, Nu-chen, etc., for many centuries. These aboriginals intermingling with immigrant tribes and Chinese refugees of superior culture, it was a natural development that several kingdoms, maintaining state organizations, should come into existence. Those recorded are the Fuyu (37 B.C.-494 A.D.), Kaoli (37 B.C.-668 A.D.), Pohai (717-927), Kitan (916-1125), Kin (1115-1234), and the Later Kin (1616-1644). These kingdoms, though some had nominally a sort of tributary relation with China, made war and peace at their pleasure, and often sent envoys as do modern states. The people of Fuyu centred about the plains surrounding the city of Changchun, now the northern terminus of the South Manchuria Railway. The Kaoli, the original tribe which was said to have separated from the Fuyu, centred in the valley of the Yalu River, and this kingdom once dominated the northern part of Korea and the greater part of South Manchuria, with the Liao River as its western boundary. At the time when Korea was divided into three kingdoms, Kaoli was counted one of them, and was called Kokuri in the Korean pronunciation. The Han Dynasty was on friendly terms with the Fuyu, in order to counterbalance the activities of the Kaoli. History records that Japan more than once engaged in warfare with the Kaoli. But they, when menaced by invasion by a Tang Emperor of China, made an alliance with Japan in 662. The Fuyu surrendered to the Kaoli in 493; the Kaoli were crushed by the Tang Dynasty in 664.

After the wreck of these two states came the Pohai Kingdom, which dominated practically the territories of the old Fuyu and the Kaoli. This state maintained friendly relations with both China and Japan. When it was finally subdued by the Kitan Tartars in 927, it had lasted for over two hundred years, during which time the Pohai and Japan exchanged envoys, and had trade relations.

The vigorous Kitan chieftain, Opaochi, subjected the Nu-chen tribe in the north, dominated the eastern part of Mongolia, and next proclaimed himself emperor of an independent state, with the dynastic title of Liao, in 916. He entered at once upon a long course of encroachment upon the neighbouring kingdoms; and the final result was that Peking was for the first time raised to the status of a metropolis as the Kitan capital. The Kitan Empire spread over Mongolia, Manchuria, the northern part of China, and North Korea to

the coast on the Japan Sea.

The Nu-chen, descendants of an original Manchurian tribe, the Sushen, centred at Paiecheng (near Harbin), and gradually extended their domain southward into North Korea, and south-westward into the Kitan territory. By 1115, Akuteng, the leading chief of the Nu-chen, had so far advanced the foundation of an independent kingdom that his dynasty called Kin (Gold) was established. The Kin campaigns were so overwhelmingly victorious that Akuteng's rival, the Kitans, were severely defeated in all directions, Peking being finally taken by direct assault in 1122, the Kitan Emperor having already sought safety in flight. Akuteng, in his southern campaign, seized everything. The capital of the Sung Emperor was captured. By 1129, the whole of China north of the Yangtze River was in the hands of the Kin.

Kin supremacy, however, did not last long. When they came into contact with the Chinese, the hardy warriors of the conquering race were quickly softened by the ease and luxury of the Sung civilization. They were no longer strong enough to resist the invasion of the newly-rising Mongol Tartars under the renowned Genghis Khan. Finally, in 1234, the Kin Dynasty of Nu-chen was destroyed by Ogotai, third son of Genghis, and the Southern Sung of China by Kublai Khan, the first Mongol warrior to rule as Emperor over the whole of China.

The Chinese in those days often practised their traditional diplomatic axiom, known as "Yuan-Chiao-Chin-Kun" (遠交近攻) or "I-I-Cheng-I" (以夷制夷). The former means, "Check your neighbour by befriending those who are further from you"; and the latter, "Fight in cooperation with one foreign devil against another."

Previously, the Chinese of the Northern Sung had made an alliance of brotherhood with the Kitan Kingdom under a blood oath, and had not only escaped invasion by the latter, but had gained in prestige. When the Kin gradually grew in power, and the Kitan lost in proportion, China abandoned the brother kingdom, and made a secret alliance, in 1120, with the growing new kingdom in order to destroy the Kitan. Again, when Genghis Khan was about to achieve invincible power, the Southern Sung made a secret alliance with the Khan to destroy the Kin Dynasty. "Double-crossing" diplomacy, however, did not always operate successfully when it met overwhelming foes, such as the Kin or the redoubtable Kublai. On the contrary, the Chinese themselves rather became its victims.

The Mongol conquerors, though once dreaded westward by Eastern Europe and eastward by Japan, their dynasty, called Yuen, one hundred and thirty-four years later, in 1368, was driven out of China by a native Chinese, known as Chu Yuan-chang. He placed Manchuria under a Chinese dynasty, known to history as the Ming. But the tribesmen of the old Kin, under the name of Nu-chen, were never annihilated either by the Mongolian or the Ming Dynasty. Ming rule never extended

further than the present Mukden Province.

The Nu-chen tribes produced, in 1559, a young hero, called Nuerhachi, who altered the course of Chinese history to such an extent that for nearly three hundred years his descendants sat on the Dragon Throne in Peking as the Taching Dynasty. Soon he succeeded in amalgamating the Nu-chen tribes under his personal rule. Following up his victory by the annexation of neighbouring states, he began in 1616 to present a bold front towards the Chinese, declaring himself independent, calling his domain the Kingdom of the Later Kin, and refusing any longer to pay tribute. Mukden, Liaoyang, and Kaiyuan were successively taken by him. Though the Ming army and a Korean force were driven before him in the valley of the Liao, he was never able to break through Shanhaikwan and the Great Wall during his lifetime. But the army under his son and grandson finally crushed the Chinese, and Ming Dynasty ended in May, 1644. His capital was removed from Mukden to Peking, and the Manchu Dynasty of Taching was proclaimed over all China on the first of October in the same memorable year.

#### 11 Manchuria under the Manchu Dynasty

Manchuria remained under the sway of the Taching, or Manchu Dynasty, for 268 years, from 1644 to 1912, when the last Emperor, Pu Yi, issued his final Edict by which he renounced the Imperial Throne and proclaimed the most radical change in the form of the state — from a monarchy to a republic.

Regarding international relations, Manchuria and China, under the Manchu Dynasty, first had intercourse with Russia in 1687, arising over boundary disputes. When Great Britain and France declared war against China in 1859, their combined squadrons made use of historic Port Arthur as base of operations. Two years later, Newchwang was opened to foreign trade. International questions concerning Manchuria will be treated more in detail in the sections dealing with Russia's advent and the Japanese in Manchuria.

After the Manchus had established their rule over China, Manchuria for many years was treated as an extramural region apart from China proper. In fact, "the Manchu rulers in Peking treated Manchuria as their Crown land," reserving it for the Manchu race and forbidding Chinese to enter. The region and its people, during the Taching Dynasty, were accorded special treatment. When the Chinese Empire became unified, the Manchu imitated the Mongol ruler in leaving the civil administration of the Empire to a great extent in the hands of Chinese literati. Important offices in the Court and central and provincial Governments, however, were mainly reserved for Manchu nobles and leaders. All Manchuria was placed under a military administration in which the Manchu personnel and customs were maintained. Mukden, Kirin and Amur Provinces each had a military governor vested with

complete authority, both civil and military. In making appointments to important offices in the provinces of China proper, such as that of governor or viceroy, no official was ever appointed to a post in the province of his birth, except in Manchuria, which was governed only by men of Manchu origin, Manchu "Tartar" or "Banner" down to 1907. After the Russo-Japanese war, an Imperial Edict relating to provincial governors in the Three Eastern Provinces (Manchuria) was promulgated, by which the three provinces were made similar to those of China proper, and the military governors conducting the administration of these Three Eastern Provinces were replaced by civil governors under the control of a Viceroy or Governor-General, as in China proper.

#### 12 Manchuria under the Republic

When the republican régime of China was inaugurated in 1912, a civil governor and a military governor were appointed to each province. The latter's authority extended only over military affairs under the orders of the President and the Minister of War at Peking. The central authority, however, declined as time went on, and the military governors' powers steadily increased. When the question arose of joining the Allies in the war against Germany, in 1916, most of the military governors, including Military Governor Chang Tso-lin, of Mukden Province, requested President Li Yuan-hung to dissolve the Parliament, which opposed a declaration of war against Germany, and to amend the Constitution, which made necessary the consent of the Legislature to a declaration of war. When the President rejected this proposal, Chang Tso-lin and other military governors declared their respective provinces independent of the Central Government, and they eventually seceded.

After Soviet Russia had made a separate treaty of peace with Germany at Brest-Litovsk, Chang Tso-lin was appointed, in September, 1918, Governor-General of the Three Eastern Provinces in order to provide against the danger that would arise should the Russian disturbance extend within the Chinese frontier. He was also appointed Superintendent-General of the Mongolian Frontier, in 1921. In the civil war of the spring of 1922, which was caused by friction between General Wu Pei-fu, of the Chihli party, and General Chang Tso-lin, of the Mukden party, the Mukden forces were defeated and withdrew from Chihli Province. President Hsu Shi-chang immediately issued an order dismissing Chang Tso-lin from the offices held by him. Various associations of the three provinces, however, supported Chang Tso-lin, and unanimously passed a resolution as follows:

"The lives of 30,000,000 people in Manchuria depending on the fate of Chang Tso-lin, no order dismissing Chang Tso-lin from the important offices he holds in Manchuria shall be approved."

Simultaneously, Chang made a declaration of the independence of Manchuria, in May, 1922, which was communicated to the foreign

Ministers at Peking and to the foreign Consular body at Tientsin. This declaration was in purport as follows:

(1) The Three Eastern Provinces of Manchuria, and Mongolia, Inner and Outer, cannot be recognized as parts of the Chinese Republic.

(2) As he holds a peculiar position in these regions, Chang Tso-lin shall be responsible for safeguarding life and property therein, and shall maintain cordial relations with friendly nations.

(3) The Treaties concluded hitherto with the Manchu Dynasty and the Chinese Republic shall be respected.

(4) Any foreign Minister or Consul desiring to negotiate should apply to his office.

(5) Any treaty relating to Manchuria which may be concluded by the Peking Government must have his direct approval.

Thus, in fact, Chang acted as the *de facto* ruler of an independent state, and concluded on October 8, 1924, a separate agreement re the Chinese Eastern Railway in the name of the "Government of the Autonomous Three Eastern Provinces of the Republic of China" with the Soviet Republic of Russia, without referring to the Peking Government.

Chang Tso-lin again and again engaged in civil war with Chihli parties for the mastery of Peking — with Marshal Wu Pei-fu in October, 1924, Soviet-supported Marshal Feng Yu-hsiang in December, 1925, and again with Feng in April, 1926. In the last campaign, Chang being victorious, he entered Peking, December 27, 1926, after several months' stay at Tientsin, assuming the leadership of the several anti-"Nationalist" armies in North China. It was generally believed that he would assume the office of President, but after conferences with various military leaders, and ostensibly at their request, Chang Tso-lin was ceremoniously installed as Tayuan-shuai, i. e., Grand Marshal of the Military Government of the Chinese Republic, on June 18, 1927, by which the vast territory north of the Yangtze was brought under his rule.

The so-called "Nationalist forces" under the supreme command of General Chiang Kai-shek, Marshal Feng Yu-hsiang and General Yen Hsi-shan, continued their campaigns against Chang Tso-lin established at Peking. But Grand Marshal Chang in his last campaign, in the spring of 1928, finally withdrew from Peking to Mukden, where he was fatally injured when the special saloon in which he and his suite were travelling was destroyed by an explosion on June 4. After Chang Tso-lin's death, the control of Manchuria was assumed by his son, Chang Hsueh-liang, who established a policy of reconciliation with the National Government at Nanking.

In the civil war of 1930 between the Nanking Government and the coalition armies of Marshals Yen Hsi-shan and Feng Yu-hsiang, Chang Hsueh-liang, of Manchuria, maintained neutrality, but the civil war was stopped in September by the armed mediation of Chang. Following this event, a part of his army penetrated within the Great Wall and occupied the railway zones in Chihli and Honan Provinces. These two

provinces were placed in charge of Chang Hsueh-liang who subsequently accepted office with the Central Government as Deputy-Commander-in-Chief of the National Army.

Chang Tso-lin had frequently penetrated China proper through the Great Wall and engaged in warfare, but his particular domain, Manchuria itself, was never seriously disturbed, internally or externally, except by Kuo Sung-ling's revolt against him in December, 1925. It is to be noted in contrast that Manchuria after Chang Hsueh-liang's accession to power became seriously involved with Soviet Russia in 1929 and with Japan in 1931, which will be treated later under the heading, "Recent Events."

## PART II RUSSIAN PENETRATION IN MANCHURIA

### 13 Advance to the Pacific

In the sixteenth century, the Russians crossed the Ural mountains as commercial adventurers, primarily to obtain furs in Asia, while the Portuguese and Spaniards opened a sea route to further Asia in order to obtain the famed spices of the East. Encouraged by lucrative gains, the fur-hunters gradually pushed their way eastward through Siberia to the Behring Sea, and even across the straits to Alaska. These fore-runners of empire, with the Cossacks, in the 17th century came into contact with the Chinese, and often engaged in warfare on the Upper Amur. A Treaty concluded on October 27, 1689, at Nerchensk, between Chinese and Russian envoys, extended the Russian empire to the northern boundary of Manchuria along the Argun River, a tributary of the Amur, and from the mountain range of the Kamennue to the Okhotsk Sea. This was the first treaty China ever signed with a European power; it was also the first treaty relating to Manchuria. While China was much concerned over the Tientsin Treaty with Great Britain and France, Muravieff, Viceroy of Eastern Siberia, took the opportunity to exact from China the so-called Aigun Treaty of May, 1858. By this agreement, the whole vast territory north of the Amur River to the Behring Sea was definitely ceded to Russia, and another large territory east of the Ussuri River to the Sea of Japan and the Korean frontier, which is called the Maritime Province, was placed under the common overlordship of China and Russia. China again got into trouble with the British and French Commissioners, who were flatly refused permission to proceed to Peking where the Tientsin Treaties were to be ratified. Subsequently, British and French allied troops, a force of 18,000 men, took Tientsin and Peking in 1860, and the Imperial Court fled north to Jehol, a summer capital. During the progress of these events, General Ignatieff, Russian Minister, offered his services as intermediary. China finally conceded the demands of Great Britain and France. At the same time, China was not in a position to

deny Russia what she demanded for her services, though the latter had spent little money and used no force. After the ratification of the Tientsin Treaties, Russia advanced from the common ownership (with China) of the Maritime Province, and assumed absolute control of the territory through the Peking Treaty concluded on November 14, 1860.

On Peter-the-Great Bay, in this province, Muravieff, as Viceroy, founded the port of Vladivostok for the accommodation of the Russian Pacific Fleet.

#### 14 Railway Penetration in Manchuria

The Emperor Alexander III dreamed of the construction of a Trans-Siberian Railway connecting European Russia with Vladivostok. It was Sergey Yulyevich Witte who was destined to put his sovereign's dream into effect, after his appointment as Minister of State for Finance on September 11, 1892. The construction of the Ussuri Railway, connecting Vladivostok with Habarovsk, inaugurated on May 19, 1891, was hastily completed under Witte's administration. In the meantime, the Trans-Siberian, which was under construction, had reached Transbaikalia, and the question arose as to the further direction which the railroad should follow. Witte conceived the idea of building it straight across the Chinese territory, Manchuria, toward Vladivostok, as being much easier and more economical than would be a road built entirely in Russian territory following the course of the Amur River.

Japan was victorious in the war with China in 1894-5, and demanded cession of the Liaotung, the peninsula part of South Manchuria. A provision in the Shimonoseki Treaty ceding the Liaotung to Japan by China excited the Russian statesmen, especially Witte. As Witte believed that Japan's permanent occupation of the Peninsula would interfere with his plans for railway penetration in Manchuria, he initiated the famous triple intervention of Russia, France and Germany against Japan for the restoration of that territory to China. Japan at that juncture could only most reluctantly comply. Witte also made an arrangement with a French syndicate to furnish China with a loan to pay the Japanese indemnity, this being a four per cent. loan of 400,000,000 francs under a Russian guarantee. In the meantime, the Russo-Asiatic Bank was established to participate in Russia's new financial activities in China.

Russia was not slow to utilize these friendly acts to obtain compensation from China. When Li Hung-chang was sent to attend the Czar's coronation in April, 1896, Witte was empowered by his sovereign to conduct negotiations with the Chinese envoy concerning the so-called "Secret Pact." This secret pact was concluded in treaty form as the "Treaty of Alliance between China and Russia." The treaty was kept in strict confidence for many years, and was known apocryphally as the "Cassini Convention." Through this treaty, which provided for a Russo-

Chinese alliance against Japan, Russia obtained from China formal consent to extend the Trans-Siberian Railway straight through Manchuria to Vladivostok, in the name of the Russo-Asiatic Bank. Thus it was possible to shorten the Trans-Siberian line by 568 miles. The railway, 919 miles in length, running through Chinese territory, was called the Chinese Eastern Railway, the Company of that name being organized in 1896, and construction beginning in August, 1897. The contract for the construction and operation of the Chinese Eastern Railway was signed between the Chinese Minister to Russia and the Russo-Asiatic Bank at Berlin. By the fifth Article, civil and criminal jurisdiction in the Railway Zone was given to the Chinese Eastern Railway Company, this being something like consular jurisdiction. "Absolute and exclusive right of administration" in the Railway Zone was conferred upon the Company.

Russia was not satisfied with Vladivostok alone as an outlet on the Pacific, for the port is ice-bound more than half the year. Immediately after Germany acquired the lease of Kiaochou harbour and the railway concession in Shantung Province, in the spring of 1898, Russia obtained, by a convention concluded on March 28 of that year, a lease of Port Arthur and Dalny (Dairen), and the adjacent territory and territorial waters for twenty-five years. By this Convention, the Chinese Eastern Railway Company was authorized to construct a branch line running 624 miles from Harbin to Dalny and to Port Arthur on the same conditions as those relating to the Chinese Eastern Railway, including civil and criminal jurisdiction and administrative power in the Railway Zone.

The construction of a trunk line to Dalny and a branch line of the Chinese Eastern Railway to Port Arthur, the reconstruction of Port Arthur as a Russian naval station, with extensive fortifications, the construction of a modern harbour and city at Dalny as a terminal of the branch line, and the founding of the modern city of Harbin, as a junction of the Chinese Eastern main line with its South Manchurian branch line to Dairen, were practically completed prior to the Russo-Japanese war, and Russia was said to have spent thereon more than 588,000,000 roubles.

The following table gives details of this estimate:

	Roubles
Construction of the Chinese Eastern Railway (including branch line to Port Arthur) .....	375,000,000
Additional expenses of construction .....	75,560,000
Dalny Harbour construction expenses .....	10,000,000
Dalny City construction expenses .....	8,800,000
Dalny land purchase expenses .....	1,380,000
Port Arthur Harbour and City expansion expenses .....	17,400,000
Harbin City foundation expenses .....	100,000,000
Total .....	588,140,000

In addition, many millions of roubles were spent for the reconstruction of fortifications at Port Arthur, the amount of which is not known.

The Boxer outbreak in 1900 provided another opportunity for Russia to strengthen her position, in that she placed large bodies of troops throughout Manchuria. Though frequent assurances that she would withdraw these troops were given, in reply to the representations of Japan, Great Britain and the United States, Russia did not carry them out. Meantime, Russian penetration into Korea gradually became acute. Russia's unconciliatory attitude toward Japan in the latter's attempts to reach a friendly adjustment of the rapidly developing problem of Manchuria and Korea finally led to the Russo-Japanese war, 1904-5. By the Treaty of Peace concluded at Portsmouth, N. H., U. S. A., Russia ceded to Japan her railway from Changchun to Port Arthur and the territorial lease of the Kwantung Peninsula.

After the war with Japan, Russian policy in Manchuria underwent a change, and her North Manchurian railway was regarded more as a commercial undertaking. Russia was much concerned with European politics in connection with German activities in the Balkan Peninsula and Morocco, and showed a spirit of co-operation with Japan in joint activities in Manchuria, as is evidenced in the convention and treaty with Japan concluded respectively in 1907 and 1910. Instead of double-tracking the Chinese Eastern Railway, Russia built the so-called Trans-Amur Railway connecting Europe with Vladivostok on Russian territory throughout. The construction of these 1,240 miles of line began in 1908 and was completed in 1916, at a cost of 295,000,000 roubles.

#### 15 C. E. R. after Bolshevik Revolution

The Bolshevik revolution which broke out in the fall of 1917, in European Russia, brought about chaotic conditions in Siberia, and had a bad effect on Russian railway and other interests in Manchuria. Chinese military forces seized the opportunity on December 18, 1917, ostensibly to occupy a part of the Chinese Eastern Railway Zone. Taking advantage of the attitude of the Soviet Government, which was anxious to obtain recognition from the Chinese Government by renouncing "all rights, privileges and concessions," provided in the agreements concluded by the former Czarist Government, the Chinese authorities took steps in 1920 to recover military and police power as well as judicial and municipal administration in the Railway Zone. The operation and supervision of this railway, however, were placed from January, 1919, to October, 1922, under the control of an Inter-allied Railway Committee which was created by the allied forces of Great Britain, France, Japan and the United States. The intervention of the allied forces to establish order in Siberia and the Chinese Eastern Railway Zone was fully described in a former Report. The new status of the Chinese Eastern Railway and its zone were not definitely established until two agreements were concluded, on May 31, 1924 at Peking by the Republics of China and Soviet Russia after protracted negotiations.

One agreement on the general principles of settlement of the questions at issue between the Republics, provided for the establishment of normal diplomatic and consular relations. Among important items, the Soviet Government abandoned Russia's extraterritorial privileges in China; restored all concessions to China, and renounced entirely the balance of the Boxer Indemnity due. The Republics reciprocally agreed not to recognize any treaty with a third power affecting the sovereign rights of the other. With regard to the Chinese Eastern Railway, the agreement recognized Russia's economic ownership, but political sovereignty in the Railway Zone, "such as judicial matters, matters relating to the civil administration, military administration, police, municipal government, taxation," etc. were handed over to China. Another agreement provided for Sino-Soviet joint management of the Chinese Eastern Railway. This stipulated that five Russian directors and five Chinese directors were to constitute the governing board, but in actual management of the railway, Russian preponderance was guaranteed by a provision that the manager and one of two assistant managers should be Russians, and one assistant manager Chinese.

Three months later, the Soviet Government concluded an agreement with the Government of the Autonomous Three Eastern Provinces of the Chinese Republic, on October 8, at Mukden, since Manchuria at the time was practically under the supreme rule of Marshal Chang Tso-lin, who did not recognize the authority of Peking. So far as the Chinese Eastern Railway was concerned, this agreement was almost similar to the provisions of the agreement concluded by the Peking Government. The Peking and Mukden Agreements both provided that each party pledge itself against propaganda in the territory of the other. The only difference was that while the Peking Agreement remained silent regarding the period of concession of the Chinese Eastern Railway, the Mukden Agreement provided that the time limit as stipulated in Article XII of the contract for the construction and operation of the Chinese Eastern Railway of September 8, 1896, should be reduced from eighty to sixty years. Regarding the redemption of this railway, the Peking Agreement simply provided that "China may redeem the railway at some future time," but the Mukden Agreement distinctly provided that China should obtain possession of the railway and appurtenant property without compensation at the expiration of sixty years. According to the Mukden Agreement, the Governing Board of the Chinese Eastern Railway was reorganized with the appointment of directors and managers by the Soviet and the Mukden Governments.

#### 16 Sino-Soviet Joint Management of C. E. R.

The operation under Sino-Soviet management of the Chinese Eastern Railway during the past few years has unfortunately not worked smoothly. When meetings of the board of directors were called

to consider important questions, the Russian members consistently absented themselves, thus preventing the necessary quorum of seven, and practically leaving the full control of the railway in the hands of the Russian general manager, which often irritated the Chinese members. These tactics, however, were designed to protect Russian interests against the ever-extending demands made by the Chinese authorities, dominated as they were by the new spirit of the republic expressed in the phrase "Recovery of sovereign rights." In January, 1926, when the general manager of the Railway, Mr. Ivanov, refused to transport Chang Tso-lin's soldiers without receiving advance payment of fares at half the regular rates, as prescribed in the Agreement of 1896, he was arrested. The Soviet Government promptly issued an ultimatum, giving the Chinese three days to reconsider their act, and Mr. Ivanov was released. In the following month, the Russian Municipal Councils at Harbin and other towns in the Railway Zone were abolished and replaced with local Chinese administrations. In September the Chinese authorities took possession of the river flotilla of the Chinese Eastern Railway on the Sungari, as well as the offices and other shipping facilities on land. Subsequently the educational administration maintained by the Company in the Railway Zone was also taken over by the Chinese authorities. Immediately prior to this, the Chinese police authorities had raided the Soviet Consulate in Harbin on May 27, 1929, when the Soviet was pressed with several serious demands: the Russian chief of the Commercial Department, who did all the purchasing for the Railway, and the chief of the Accounting Department were to be replaced by Chinese; the telephone and telegraph system in the Railway Zone was to be incorporated in the Chinese system; all lands controlled by the Company in the Railway Zone were to be returned to China; and the mines and forests owned by the Company surrendered to China. The police raid on the Soviet Consulate initiated a sort of feud, which developed into a serious dispute between China and the Soviet Union, lasting more than half-a-year and seriously affecting traffic on the Railway, the great highway linking Europe with the Far East. Further details of this dispute will be given later.

### PART III THE JAPANESE IN MANCHURIA

#### 17 The Sino-Japanese War

Setting aside Japan's relations with the tribal kingdoms of Manchuria in ancient times, Japan did not come politically into direct contact with this region until the war with China broke out in 1894, as the result of a controversy over the question of Korean independence. The Japanese armies occupied the southern portion of Mukden Province in Manchuria from the Yalu River to the Liao River at Newchwang in the course of their campaign, which lasted six months. After the fall of

Port Arthur and Weihaiwei, when the Japanese Army and Navy concentrated at the mouth of the Gulf of Pechihli and were ready for a direct attack on Peking, Viceroy Li Hung-chang went to Japan to seek peace, and the Treaty of Peace was signed at Shimonoseki on April 17, 1895. By the Shimonoseki Treaty, China, among other things, ceded to Japan in perpetuity all the territory south of a line drawn from the mouth of the Yalu to Yingkou (Newchwang) through Feng-huang and Haicheng, commonly known as the Liaotung Peninsula, covering the area of about 10,582 square miles. Russia, seeing in this a check to her own ambitious designs, obtained the co-operation of Germany and France, and the Asiatic squadrons of the three powers were concentrated in North China waters. The three Powers "advised" Japan, "in a spirit of cordial friendship," to restore the Liaotung to China. As the Japanese naval forces, after their struggle with China, were unable to cope with the squadrons of the three Powers, the only practical step was to accept the "advice" of the allies and surrender the newly-acquired territory.

#### 18 After the Sino-Japanese War

Although the legitimate fruits of war were thus snatched from Japan by the intervention of the European Powers, Japan, through the Shimonoseki Treaty, took a significant step in the direction of opening China to world commerce, particularly by securing access to new ports and waterways extending into the interior, especially in the Yangtze Valley. Foreigners were also privileged by the new agreement to "engage in all kinds of manufacturing industries in the open cities, towns and ports in China." Newchwang, opened early in 1861 in accordance with the Tientsin Treaty, was then the only port opened to foreign trade in Manchuria. Japan's trade through this port was insignificant until after the Sino-Japanese war. Japanese soldiers and civilian traders attached to the Army returned from Manchuria with keen appreciation of the commercial value of the Manchurian bean and bean-cake — bean for foodstuff manufacture and bean-cake for Japanese rice-field fertilizer. The export market for the latter had hitherto been limited to South China, where it was used in the sugar plantations as fertilizer. Just about this time, Japanese farmers were greatly handicapped by the high cost of fish fertilizer, which they had been using for generations. Japanese purchases of bean-cake increased so rapidly that they exceeded the total export to South China by 1899. Japan's increasing purchases of this product naturally stimulated the increase of the import of Japanese staple goods into Manchuria.

Prior to the Russo-Japanese war, the foreign trade of Newchwang was carried on chiefly by Japan, Great Britain and the United States. While Japan was the heaviest purchaser of Manchurian products, the United States and Great Britain were the largest suppliers of cotton goods.

### 19 Russo-Japanese War and the Treaty of Portsmouth

As already noted, Russia herself acquired in March, 1898, the lease of the Kwantung Peninsula, an important part of the Liaotung Peninsula, the very territory from which she had helped China to oust Japan only three years before. Taking advantage of the Boxer trouble in 1900, Russian troops occupied the port of Newchwang and city of Mukden, and the civil administration of the former was conducted by the Russian Consul. While the peace negotiations between China and the Allies were being conducted at Peking, the Peking correspondent of "The Times" reported, in the issue of January 3, 1901, a "Manchurian convention" by which all foreigners, save Russians, would be excluded from trade in Manchuria. The Russian movement in Manchuria gave occasion for alarm to the trading nations, particularly Great Britain, Japan and the United States. One of the chief aims of the Anglo-Japanese Alliance, concluded on January 3, 1902, was to counteract the Russian penetration into Manchuria. Somewhat influenced by the Anglo-Japanese Alliance, and by the representations of other Powers, Russia, by the Convention of April 8, 1902, modified her demands in respect of Manchuria, and promised to evacuate the territory. Russia seemed faithful to the undertaking in the beginning, but she not only failed to carry out her promise, but renewed her activities in the spring of 1903, and demanded in return for evacuation a series of new conditions, which Japan regarded seriously as a disregard of the principle of equal opportunity for the commercial nations and an infringement of Chinese sovereignty. The Japanese were further provoked by the movement of Russian troops in Manchuria and the northern part of Korea, and by the Russians strengthening their naval forces in the Far East. In Korea, Japan had been politically and economically much concerned with Russia after the Sino-Japanese war. Japan, however, approached Russia directly in an attempt to settle the questions at issue in Manchuria and Korea by treaty negotiations, which started in June, 1903. After procrastinating pourparlers, Japan, gradually realizing that Russia was utterly insincere as to a diplomatic settlement, was compelled, on February 5, 1904, to take independent action to safeguard her "established rights and legitimate interests," which resulted in the Russo-Japanese war.

After a campaign of less than one year and a half, the Japanese Army again occupied South Manchuria, but this time as far north as Changchun. Through the mediation of the President of the United States (Mr. Theodore Roosevelt), a Treaty of Peace was finally concluded between Japan and Russia, on September 5, 1905, at Portsmouth, New Hampshire. In the Russo-Japanese war Japan sacrificed 120,000 lives and incurred expenditure of 2,000,000,000 yen. During the negotiations, Japan asked Russia for "reimbursement" of the cost

of the war, instead of an "indemnity," but this was refused, and only 100,000,000 roubles were paid to meet Japan's expenses in caring for Russian prisoners-of-war. Russia, by the Portsmouth Treaty, transferred to Japan her lease of the Kwantung Province, the railway between Port Arthur and Kwangchengtzu (Changchun) and its branches, and the coal mines along the railway, as well as various rights appertaining thereto. Soon after his return to Japan, Baron (later Marquis) Komura, the Japanese plenipotentiary at the peace negotiations, proceeded to Peking "to obtain the consent of the Chinese Government." The Treaty of Peking, signed on December 22, 1905, approved the above-mentioned transfers to Japan. By an additional agreement, China also gave Japan "the right to maintain" and "improve the military railway line between Antung and Mukden" which had been built during the war by the Japanese troops, so as to make it "fit for the transport of the commercial and industrial goods of all nations." By a protocol appended to this treaty, China pledged herself to Japan "not to construct any main line in the neighbourhood of and parallel to" the South Manchuria Railway, "or any branch line which might be prejudicial to the interest of the above-mentioned railway."

### 20 Japan's Post-Bellum Policy and the "Open Door"

Prior to the Russo-Japanese war, the maintenance of the Open Door policy in Manchuria was one of the important issues in Japan's contest with Russia, and it was most natural that when peace came Japan and Russia should agree to uphold this policy. By an agreement supplementary to the Peking Treaty of 1905, Japan caused China to open nineteen important cities and towns in Manchuria, such as Liaoyang, Hsinmintun, Tiehling, Kirin, Harbin, Tsitsihar, Aigun and Manchuli. In view of Japan's declared policy of the maintenance of equal opportunity for all nations and the territorial integrity of China, the development of Manchuria through Japanese enterprise, it was realized, would be a most complicated and delicate matter, and a commission on Manchurian Post-bellum Enterprise was officially appointed on November 16, 1905, for the special study of the subject. The commissioners were the Prime Minister, Marquis (now Prince) Saionji; the Chief of the General Staff, Baron (later Count) Kodama, and other heads of departments concerned. Marquis Saionji paid a visit to Manchuria, after which the commission laid down fundamental principles: to maintain Chinese sovereignty and equal commercial opportunity; to encourage joint enterprises of Japanese and Chinese; and to supersede Japanese military administration by Chinese administration as quickly as possible. The policy formulated by the Post-bellum Enterprise Commission was approved in Tokyo on May 22, 1906, at a Council of Cabinet Ministers and Elder Statesmen before the Imperial Throne.

Important steps were rapidly taken by Japan in South Manchuria.



By Imperial Ordinance promulgated on June 7, 1906, the South Manchuria Railway Company was called into being, and the newly-acquired railway operated by the Japanese military authorities was transferred to the management of this joint-stock corporation; the second step was the establishment of the Government-General of Kwantung by Imperial Ordinance promulgated on July 30, the same year. The military administration in the Leased Territory hitherto conducted by the Japanese Army authorities was converted into a civil administration under the Governor-General. Manchuria could remain, as the Portsmouth Treaty provided, under the military administration of Japan and Russia until the end of March, 1907, if so desired. Japan, however, was very sensitive in the matter of restoring Manchuria to Chinese administration, and with it establishing the Open Door policy, so much discussed at that time. The preliminary agreement relating to the restoration of Newchwang was signed at Peking on October 2, 1906. By the final memorandum, signed on December 5, the Japanese military administration was withdrawn the next day, and all Customs administration was promptly handed over to the Chinese authorities.

The Japanese Government gave notice to the Powers on August 22, 1906, that the port of Dairen would be established as a free port on September 1st proximo. An agreement was signed at Peking, May 30, 1907, by which a Chinese Customs office was established at Dairen on July 1st, and merchandise brought by sea to Dairen was to enter free of import duty, but was to be levied on by the Chinese Customs if the merchandise was intended to pass the boundary of the Leased Territory, the Japanese sphere, and so reach the interior of Manchuria.

## 21 Controversial Questions

It may be regarded as to some extent unfortunate that Japan in the course of her peaceful undertakings in Manchuria was occasionally involved in controversies with the Chinese authorities, and that these frequently concerned, though in lesser degree, British and American nationals and their interests in regard to the railway concessions. Disputes concerning the Hsinmintun-Fakumen Railway concession, the Antung-Mukden Railway, the Chientao question (Chinese-Korean boundary controversy), Secretary Knox's proposal to internationalize the railways in Manchuria, etc., occurred at different periods.

In 1907, China was about to give a British firm, Pauling and Co., a concession to finance the construction of a fifty-mile railway from Hsinmintun to Fakumen, with the ultimate right to extend it to Tsitsihar, four hundred miles further north, on the Chinese Eastern Railway. Japan repeated friendly warnings against this concession as constituting a violation of a provision of the protocol attached to the Peking Treaty of 1905, by which China agreed not to construct any line "in the

neighbourhood of and parallel to the South Manchuria Railway." When the contract for this concession was signed in November, Japan promptly opposed it. In February, 1908, Japan proposed a compromise, engaging to endorse the Chinese plan if China would consent to extend the line to Tiehling, or some other suitable point on the South Manchuria Railway. China refused to accept this, and suggested that the question be referred to The Hague Tribunal. Japan declined to agree to this solution, and thus there was a deadlock.

The Antung-Mukden Railway controversy took place in 1909, when the South Manchuria Railway Company commenced, in January, to convert the narrow-gauge line to one of standard gauge, the right to do which was given to Japan by the protocol appended to the Peking Treaty of 1905. After several months' negotiation, Japan was still unable to reach an agreement with the Chinese, and finally she sent to China, on August 6, 1909, an ultimatum announcing that independent action would be taken in carrying out the work of reconstruction according to what the Japanese Government conceived to be its treaty rights.

Another question which for several years caused controversy between Japan and China concerned the Korean boundary, involving the Chientao District, lying on the north or right bank of the Tumen River. The possession of this district, covering an area of some 1,550 square miles, with a population of 82,999 Koreans and 27,371 Chinese in 1909, was a subject of dispute for many years. In the years 1885 and 1887 respectively, "Boundary Commissions" were despatched to the district by the Korean and Chinese Governments, with a view to solving the frontier problem; but they failed to reach a conclusion. As time went on, maltreatment of Koreans by the Chinese authorities became acute. Furthermore, the Koreans were always exposed to attack from Manchurian bandits, and they constantly asked their Home Government for protection. Following the establishment of the Japanese Protectorate in Korea, the Japanese Government entered into negotiations with the Chinese Government.

These controversial questions became more and more acute, with unpleasant effects upon Sino-Japanese relations. The two Governments, recognizing the vital importance of maintaining permanent peace in the Far East, finally came to an understanding, and a memorandum relating to the Antung-Mukden Railway was signed on August 19, 1909, by which China recognized Japan's right to reconstruct the Antung-Mukden Railway, substituting the standard gauge. A few days later, two conventions were concluded, on September 4. One of these was called the "Convention Relating to Manchuria," and the other the "Convention Relating to Chientao."

By the first, China engaged to consult Japan beforehand on questions of railway extension, where the interests of the two countries

were likely to conflict, as in the case of the proposed Hsinmintun-Fakumen Railway. The other pending questions, such as recognition of a branch line of the South Manchuria Railway from Tashihchiao to Yingkou, extension of the Peking-Mukden Railway to the city wall of Mukden, and the coal mines of Fushun, Yentai, etc. were settled satisfactorily to both Governments. By the convention relating to Chientao, Japan waived Korea's long-standing claim to Chientao District and recognized China's territorial sovereignty in this region. Through this convention, Japan caused China to open four towns in Chientao to international trade and residence, which was further evidence of Japan's faithfulness to the principle of the "Open Door" in Manchuria. Japan also took the initiative in withdrawing her extraterritorial jurisdiction in China by recognizing Chinese law and jurisdiction over the Koreans residing within the Chientao District, while China recognized land ownership by Koreans and pledged herself to protect Korean rights "equally with those of Chinese subjects."

## 22 Treaties and Notes of 1915

By the terms of the Anglo-Japanese Alliance, Japan was promptly brought into the Great War. On August 15, 1914, she advised Germany to surrender Tsingtao, for eventual restoration to China, and, when the ultimatum expired on the 23rd, without any response from Germany, war was declared. After two months' operations, Tsingtao was surrendered on November 7. The Japanese Navy continued to police the Pacific and Indian Oceans, and the Mediterranean Sea; convoyed Australian troopships to Egypt, and assisted in driving von Scheer's German squadron down the Chilean coast. Soon after the surrender of Tsingtao to Japan, China demanded the withdrawal of the Japanese Army from the German railway between Tsingtao and Tsinan, the capital of Shantung. Japan refused to leave until after the European war was over, and the disposition of the German rights had been settled by a treaty of peace. When China independently proclaimed the revocation of the war zone on January 7, 1915, general disappointment was caused in Japan, since this action was contrary to the popular expectation of Chinese appreciation. Japan, however, in order "to adjust matters to meet the new situation created by the war between Japan and Germany, to define Japan's special position in Manchuria and Inner Mongolia, and adjust other pending questions," determined to approach China with a view to concluding treaties on specific subjects. These were divided into five groups. Group I concerned the Shantung settlement; Group II dealt with the recognition of Japan's special interests and position in South Manchuria and Eastern Inner Mongolia; Group III was directed to safeguarding Japan's interest in the Han Yehping Company; Group IV was designed to emphasize China's territorial integrity; Group V represented certain proposals of Japan

respecting Japanese advisers for the Chinese Central and Local Governments.

The negotiation over these proposals, or, as they were ironically called, the "Twenty-one Demands," commenced on January 18 at Peking, and two agreements relating to the first and second groups were signed on May 25. By the treaty and notes exchanged respecting South Manchuria and Eastern Inner Mongolia, the Chinese Government agreed to the following conditions:—

1. The extension of the term of lease of Port Arthur and Dairen and the term of the South Manchuria Railway and the Antung-Mukden Railway to 99 years.
2. Permission for Japanese subjects to lease lands and to enter, travel and reside in South Manchuria for trade, manufacture and agriculture.
3. The opening of more towns in Eastern Inner Mongolia to international trade.
4. Recognition of joint enterprises of Japanese and Chinese in agricultural and auxiliary industries in Eastern Inner Mongolia.
5. To call first on Japanese capital, if China should propose to build railways in Manchuria and Eastern Inner Mongolia through foreign loans, or to raise foreign loans by mortgage of the taxes in these regions.
6. Opening of nine mining districts in Manchuria to Japanese enterprise.
7. Preference to be given to Japanese in case China should employ foreign advisers or instructors in political, financial, military and police matters in South Manchuria.
8. China's promise to revise the Kirin-Changchun Railway Agreement according to the most-favoured nation agreements concluded or to be concluded with other nationals.

With regard to the extension of the leaseholds in Manchuria, it was natural that Japan should claim the term of 99 years which was granted by China to most of the foreign leaseholders. It was still more to be expected that Japan should ask China for an extension of the term of her railways in South Manchuria, so long as the term of the Chinese Eastern Railway of Russia remained at eighty years.

## 23 Japanese Loans to China

Before the European war, China had been financed largely by British, and some German, French and American capital. After the outbreak of war, China was in serious need of funds, and Japan and the United States were the only countries which could furnish capital. During the ministry of Count Terauchi, 1916-18, quite large sums were loaned to China principally through the three Japanese chartered banks, amounting in gross to 177,000,000 yen, as shown by the following table:—

Purpose of Loan	Date of Contract	Amount
1. Bank of Communications Readjustment...	Sept. 28, 1917	¥ 20,000,000
2. Chihli Province Flood Relief.....	Nov. 22, 1917	5,000,000
3. Telegraph Administration Improvement...	Apr. 30, 1918	20,000,000
4. Kirin-Huining Railway .....	June 18, 1918	10,000,000
5. Kirin and Amur Provinces Forest and Mining .....	Aug. 2, 1918	30,000,000
6. Four Railways Loan in Manchuria and Mongolia .....	Sept. 28, 1918	20,000,000
7. Shantung Railway .....	" " "	20,000,000
8. Arms and Ammunition .....	" " "	32,000,000
9. War Participation .....	" " "	20,000,000
Total .....		177,000,000*

#### 24 Railway Loan Agreements

Of the above-mentioned loans by Japan to the Chinese Government during 1917-18, two were furnished for the construction of railways in Manchuria and Inner Mongolia.

At the time of the establishment of the Republic, the Government at Peking under President Yuan Shih-kai was anxious to obtain recognition of the new Republic from the foreign Powers, and also realized the national financial incapacity. This caused China, during 1912-1914, to conclude railway loan agreements with Belgium, Germany, Great Britain, Japan and the United States. On October 5, 1913, by an exchange of Notes, the Chinese made an agreement relating to a plan of co-operation with Japan with particular reference to loans for constructing five railways in Manchuria and Inner Mongolia. China then agreed to a loan from Japanese capitalists for the construction of the following railways:

- a. Ssupingkai to Taonan, with a branch line to Paiyintala.
- b. Kaiyuan to Hailungcheng.
- c. Changchun to Taonan.

China further agreed that if, in the building of the following two lines, foreign capital should be needed, negotiations should first be entered into with Japanese capitalists:

- d. Taonan to Jehol.
- e. Kirin to Hailungcheng.

In connection with the Five Railways Loan agreement made in 1913, construction work on the line from Ssupingkai, via Chengchiatun, to Taonan was started in April, 1917, by the Chinese Government with funds furnished by the South Manchuria Railway Company and a loan floated by the Yokohama Specie Bank, to which Europeans and Americans were also subscribers.

By an agreement relating to railway loans in Manchuria and Inner Mongolia, signed on September 28, 1918, funds for the construction of the following four railways were to be furnished by a syndicate of three Japanese chartered banks:

\* These loans are outstanding with the exception of the Chihli Province Flood Relief Loan.

- a. From Kirin to Kaiyuan via Hailungcheng ..... 230 miles
- b. From Changchun to Taonan ..... 180 "
- c. From Taonan to Jehol ..... 470 "
- d. From a point on the Taonan-Jehol Railway to a seaport... 220 "

The priority right for furnishing loans to the Kirin-Hailungcheng line and the Taonan-Jehol line provided for in the exchange of Notes of 1913 was decided definitely in favour of Japanese capital according to the Agreement of 1918. By this agreement the Taonan-Jehol line was to be extended to a seaport. These lines, totaling over one thousand miles, were to cost more than 75,000,000 yen, of which the Japanese syndicate advanced 20,000,000 yen.

By another Railway Loan Agreement, signed on June 18, 1918, the Kirin-Huining (Kainei) line was to be constructed with funds furnished by a syndicate of three Japanese chartered banks. An advance of 10,000,000 yen was made when this agreement was signed. This line was to connect the Kirin-Changchun Railway with the Korean Government Railway at Huining, or Kainei, in Korea.

#### 25 Ishii-Lansing Agreement

The special interests of Japan in Manchuria were recognized by France, Russia and Great Britain during the years 1907 and 1911 in their respective conventions and treaties with Japan. Shortly after the United States entered into the European war, the Japanese Government, in the summer of 1917, sent a special mission, headed by Viscount Ishii, formerly Minister of State for Foreign Affairs, to congratulate the United States on her decision to enter the war and to make some arrangement for co-operation between the two countries. One of the most significant events of this visit was the exchange of Notes with Secretary Lansing. By these notes the "Government of the United States recognizes that Japan has special interests in China, particularly in the part to which her possessions are contiguous." "The part to which her possessions are contiguous" undoubtedly referred to Manchuria, to which Korea is contiguous. The two Powers also pledged themselves to observe the principles of the independence and territorial integrity of China and the "Open Door," as Japan had done with France, Great Britain and Russia by separate conventions with these Powers. This exchange of Notes removed certain misunderstandings which had existed between the two Powers, and paved the way for the gradual development of mutual co-operation in commerce and industry in the Far East. The Ishii-Lansing Agreement and the Anglo-Japanese Alliance, however, were revoked soon after the Washington Conference, as the policy of the "open door" was re-affirmed at the Conference" by the Nine-Power Treaty concluded on February 6, 1922.

## 26 Versailles Treaty

The world war was ended by the Armistice Treaty signed on November 11, 1918. On January 18, 1919, the delegates of the Allied and Associated Powers assembled at Versailles to formulate the terms of peace which would be presented to Germany and her Allies. Among many other desiderata, China sought the abrogation of the Japanese Treaties of 1915, so far as these concerned Manchuria, restoration of the leased territories, restoration of foreign concessions and settlements, abrogation of foreign spheres of influence, withdrawal of all foreign troops and police, etc. These Chinese claims, however, had small direct concern with the purpose of the Conference, which was to formulate the terms of a treaty of peace with Germany, and they were, therefore, not taken into serious consideration.

## 27 Financial Consortium

A brief history of the first "Financial Consortium," the financing of China by a banking group composed of French, German, British and United States interests was given in the previous Report. To the Four-Power Consortium, Japanese and Russian banks were added in 1912, with the reservation that they would withdraw from the Consortium if the proposed business should appear to prejudice their respective interests in Manchuria and Mongolia. In the following year, the American group withdrew from this Six-Power Consortium. With the outbreak of the European War, the German group was forced to withdraw.

On October 8, 1918, the United States Government, recognizing "the change in our international relations, both diplomatic and commercial, brought about by the war," proposed to Great Britain, France and Japan the formation of a new Consortium to render assistance to China. While these Governments were exchanging notes on the proposal, the bankers of the four Powers involved met in Paris to discuss terms. Mr. Thomas W. Lamont, of J. P. Morgan & Co., who was in Paris as financial adviser to the American delegation to the Peace Conference, took a leading part in the bankers' conference as representative of the American group. In May, 1919, the conference drafted a preliminary agreement. Japan was quite ready to agree to the American plan, but proposed that "all rights and options held by Japan in the regions of Manchuria and Mongolia where Japan had special interests," should be excluded from the scope of the Consortium, maintaining that "this is based on the very special relations which Japan enjoys geographically and historically with the regions referred to, and which have been recognized by France, Great Britain, the United States and Russia on various occasions." The United States and Great Britain opposed the Japanese reservation regarding Manchuria and Mongolia. After protracted negotiations, Mr. Lamont, with the approval

of his Government, went to Tokyo, where a compromise was reached which was accepted by all the Powers involved. Based on this compromise, Notes were exchanged between the representatives of the Japanese and American groups on May 11, 1920, the main items being as follow:—

1. That the South Manchuria Railway and its present branches, together with the mines which are subsidiary to the Railway, do not come within the scope of the Consortium;
2. That the projected Taonan-Jehol Railway and the projected railway connecting a point on the Taonan-Jehol Railway with a seaport are to be included within the terms of the Consortium Agreement;
3. That the Kirin-Huining (Kainei), the Chengchiatun-Taonan, the Changchun-Taonan, the Kaiyuan-Kirin (via Hailung), the Kirin-Changchun, the Hsinmin-Mukden, and the Ssuping-kai-Chengchiatun Railways are outside the scope of the joint activities of the Consortium.

## 28 Washington Conference

The Washington Conference was in session from November 12, 1921, to February 6, 1922. The conference dealt with questions of armament and the Far East, and the Chinese, again, as at the Peace Conference, strongly demanded, *inter alia*, the withdrawal of foreign troops, annulment of foreign leaseholds, and the cancellation of the Treaties and Notes of 1915 concluded or exchanged with Japan. On November 29, Mr. Alfred Sze, a Chinese delegate, before the Committee on Pacific and Far Eastern Questions, demanded that all unauthorized foreign troops, police, and foreign telegraph and wireless systems should be withdrawn from Chinese soil. Mr. Hanihara, a Japanese delegate, replied clearly by stating that while Japan was willing to withdraw her troops from China proper as soon as conditions warranted, it was impossible for Japan "to forego the right, or rather duty, of maintaining railway guards in Manchuria, whose presence is duly recognized by treaty." At the meeting on December 3rd of the same Committee, Mr. Koo, a Chinese delegate, demanded the annulment and termination of the foreign leaseholds, referring specially to the Japanese leaseholds in Manchuria or Kwantung Province, including Port Arthur and Dairen. To this Mr. Hanihara promptly answered that "Japan has no intention at present to relinquish the important rights of the leaseholds which she has acquired lawfully and at no small sacrifice."

At the meeting on December 14, Mr. C. H. Wang, another Chinese delegate, urged that "the Treaties and Exchange of Notes of 1915" be "reconsidered and cancelled." To this Mr. Hanihara responded that if there be "a question of the validity of the Treaty or Agreements of 1915, or the change or abrogation thereof," he believed that "this question was one to be taken up between Japan and China, if it were to be taken up at all, and not at this conference." At the meeting on

February 2, before this question was brought up, Baron Shidehara, a Japanese delegate, made a statement in the form of a declaration. The statement observed, with regard to the procedure of the Chinese delegation on this question, that the Japanese delegation, while appreciating the difficult position of the Chinese delegation, did not feel at liberty to concur in the procedure taken by China "with a view to cancellation of an international engagement which she entered into as a free sovereign nation." It also stated that "if it should once be recognized that rights solemnly granted by treaty may be revoked at any time on the ground that they were conceded against the spontaneous will of the grantor, an exceedingly dangerous precedent will be established, with far-reaching consequences upon the stability of the existing international relations in Asia, in Europe, and everywhere."

The statement further continued that as changes had taken place in the situation since the conclusion of the Sino-Japanese Treaties and Notes of 1915, the Japanese Delegation made the following declarations so far as Manchuria was concerned:

1. Japan is ready to throw open to the joint activity of the International Financial Consortium recently organized, the right of option granted exclusively in favour of Japanese capital, with regard, first, to loans for the construction of railways in South Manchuria and Eastern Inner Mongolia, and, second, to loans to be secured on taxes in that region. But it is understood that this declaration by no means affects the understanding arrived at by the exchange of Notes in connection with the Consortium Agreement of 1920.

2. Japan has no intention of insisting on her preferential right under the Sino-Japanese arrangements in questions concerning the engagement by China of Japanese advisers or instructors in political, financial, military or police matters in South Manchuria.

Baron Shidehara concluded the statement by saying that in coming to this decision, "Japan has been guided by a spirit of fairness and moderation, having always in view China's sovereign rights and the principle of equal opportunity."

### 29 Construction of Railways for Chinese

With the view to developing agriculture and industry in the vast arable area of Eastern Inner Mongolia contiguous to Manchuria and to developing the lumber industry in the wooded areas of Kirin Province, the Communications Committee of the Government of the Three Eastern Provinces contemplated the building of additional railways. Subsequently the Government determined to establish more effective communication between the capitals of the three provinces. A contract to construct the Taonan-Angangchi Railway, covering a distance of 143 miles, in order to connect with Tsitsihar, the capital of Amur Province, across the Chinese Eastern Railway at Angangchi, and to connect with the South Manchuria Railway line at Ssuping kai, via the Taonan-Ssuping kai Railway, was made with the South Manchuria Railway Co.

The construction work was commenced in June, 1925, and completed in July, 1926. It was provided that if the Chinese Government should fail to pay the expense of construction within one year after the completion of the construction work, the amount involved should be converted into a railway loan. Another line constructed under contract with the South Manchuria Railway Co. is the Kirin-Tunhua line, covering 130.4 miles, a part of the Kirin-Huining line of 260 miles, which is to be connected with the Korean railway at Huining. As already stated, the whole construction fund for building the Kirin-Huining (Kainei) line, according to the preliminary agreement of 1918, should have been furnished by three chartered banks of Japan, and 10,000,000 yen was advanced to the Chinese Government at interest of  $7\frac{1}{2}$  per cent. Owing to political turmoil and frequent changes of government in China, the construction of this railway has not yet been carried out. By a contract signed on December 24, 1926, the Kirin-Tunhua line, running 130 miles west of Kirin towards Korea was built for China by the South Manchuria Railway Co. as the contractor at a cost of 24,000,000 yen. Construction was started in June, 1926, and was completed in October, 1928. As in the case of the Taonan-Angangchi Railway, it was agreed that if the cost of this railway should not be paid within one year after the completion of construction, the amount should be converted into a railway loan. Of the Kirin-Huining Railway of 260 miles, the 130 miles of the Kirin-Tunhua line were thus constructed and the remaining half has still to be laid.

### 30 Another Contract for Constructing Chinese Railways

With a view to arriving at certain settlement of many railway questions in Manchuria which have been pending for years, Mr. Jotaro Yamamoto, a former President of the South Manchuria Railway (1927-29), went to Peking, where Marshal Chang Tso-lin then maintained the Military Government of the Chinese Republic, and concluded on October 15, 1927, a preliminary contract to construct for China five railway lines. They were (1) the remaining half of the Kirin-Huining Railway; (2) Changchun-Talai line via Fuya; (3) Taonan-Solum line; (4) Kirin-Wuchang line, and (5) Yenching-Hailin line. The formal contract for building the first two lines was signed on March 15, 1929, and the actual work of construction was to be commenced within one year. But nothing could be done in carrying out the terms of the contract after Marshal Chang Hsueh-liang succeeded to the leadership in Manchuria.

### 31 Japanese Investments in Manchuria

Japanese investments in Manchuria and Eastern Inner Mongolia, particularly since the establishment of the South Manchuria Railway Company, have been immensely increased, and aggregated over 1,715,-

000,000 yen on March 31, 1931. The table below gives details of capital investments.

If the Government property owned by the Kwantung Government and the Japanese Army, the annual grant from the Home Government for the last 25 years, private property owned by Japanese in Manchuria, etc. — aggregating in all 460,000,000 yen — be added, the total investment of Japan in Manchuria to-day will approach the formidable total of 2,200,000,000 yen.

### JAPANESE INVESTMENTS IN MANCHURIA

(March 31st, 1931)

Investors	Items of Investment	Amount (Yen)	
South Manchuria Railway Company	Railways .....	270,230,960	
	Railway Workshops .....	6,465,032	
	Harbours and Wharves .....	83,200,948	
	Coal Mines .....	117,871,977	
	Oil Shale Plant .....	8,824,461	
	Iron Works .....	27,716,716	
	Chemical Fertilizer Manufacturing Plant .....	50,939	
	Sanitation .....	15,842,006	
	Education .....	14,304,671	
	Municipal Undertakings .....	146,125,530	
	Others .....	51,435,966	
	Total .....	742,069,206	
		Securities of affiliated Companies and Public Bonds .....	93,391,089
		Loans to Chinese Railways and for En- couraging Industries .....	69,185,869
		Cash Advanced for Contract Construction of Chinese Railways, Deposits, Uncollected Credits, etc. ....	158,158,384
	Total .....	320,735,342	
	Total .....	1,062,804,548	
Japanese Government's Guarantee	Loans to Chinese Government .....	98,730,823	
Japanese Corporations	Loans to Chinese Government and Individuals ..	20,282,080	
Japanese Corporations	Capital Funds invested by Corporations .....	439,003,410	
Japanese Individuals	Capital Funds invested by Individuals .....	94,991,560	
	Total .....	554,277,050	
Grand Total .....		1,715,812,421	

## III RECENT EVENTS IN MANCHURIA

### 32 General Remarks

A state of enduring peace and order having been comparatively well maintained, the development and progress effected in Manchuria during the last quarter of a century, after the Russo-Japanese war, have been by no means inconsiderable, in striking contrast to the conditions in China proper, where revolution, civil war, and other political disturbances remain, unfortunately, as frequent as at any time in the past, especially since the establishment of the Republican régime. But, in recent years, particularly since Chang Hsueh-liang succeeded to the power which his father, the late Chang Tso-lin, had long exercised in Manchuria, international questions were often raised in regard to relations with Soviet Russia and Japan. The Chinese authorities in Manchuria, impassioned by the "Rights recovery" mania, have gone to extremities in attempts to nullify existing international agreements, by means of legislative or local administrative measures, and often by resort to illegal action. These movements of the Chinese raised many issues, particularly with the Japanese, of railway and residential rights, leaseholds, unjust tariff and taxation, and produced deplorable incidents, such as the Sino-Soviet dispute on the Chinese Eastern Railway in 1929, and in 1931 the maltreatment of Koreans in the district of Wanpaoshan, the massacre of Staff-Captain Nakamura and his party by Chinese regular soldiers, and the destruction of a part of the South Manchuria Railway near Mukden on the night of September 18, 1931, by Chinese regular soldiers, the last of which compelled the Japanese railway guards to act in defence of Japanese interests, action which constituted the direct cause of the recent Manchurian complications. The incident of September was not an isolated case and it affected Japan seriously and profoundly. As already stated, Japan has heavy investments and important treaty rights, which have been imperilled by the illegal activities and provocations of the Chinese in recent years. Furthermore, deplorable incidents such as the murder of Staff-Captain Nakamura by Chinese soldiers, which occurred in the early summer of 1931, deeply stirred the feeling of the Japanese people. All these untoward incidents produced, even if temporarily, solid hindrance of the good understanding that ought to exist between the two peoples. The whole Japanese nation are looking with determination for the restoration of their treaty rights, as well as of peace and order in Manchuria, by

means of which alone their lives and property can be secured.

On the other hand, the Manchurian incident has attracted the attention of the world. In order to examine the issue, the League of Nations held four sessions in the course of seven months from September, 1931. The first session was held September 22-30, 1931, the second session, October 13-24, the third, November 16-December 10, and the fourth session, January 29-March 11, 1932. At the fourth session, discussion took place chiefly on the Shanghai incident, which occurred in the latter part of January, and the League Council referred the Sino-Japanese conflict to its Assembly in March. The United States, which is not a member of the League of Nations, acted generally in concert with the League after that body took up the Manchurian issue, being one of the foremost signatories of the Nine-Power Treaty and the Anti-War Pact. The people of Japan regarding the Manchurian issue as vital to their existence, their Government was endeavouring to make Japan's position clear to the League of Nations and to the United States, both of which were also making efforts in assisting to bring about the speedy restoration of understanding between the contending peoples.

### 33 The Sino-Soviet Dispute

The causes of the Sino-Soviet dispute of 1929 on the Chinese Eastern Railway were fully treated in the previous Report. The Chinese authorities in Manchuria, shortly after Chang Hsueh-liang's accession to power, impelled by a new spirit animating the Republic which gave birth to the slogan "Recovery of foreign rights," raised questions one after another with the aim of controlling the Chinese Eastern Railway. Finally, the Chinese police raided the Soviet Consulate at Harbin under the pretext of suppressing communist propaganda, and invited a sort of feud, which developed into a serious dispute between China and Soviet Russia, affecting the Chinese Eastern Railway and the traffic on this important highway linking Europe with the Far East which was suspended about half-a-year, as a state of war then existed. In this dispute, the United States took the initiative, offering mediation, reminding the contending parties of the "Kellogg Pact," and urging them not to resort to arms. China expressed her willingness to adhere to the Pact, but Soviet Russia, insisting that the controversy should be settled by direct negotiation between the two powers, asserting Soviet forces acted in self-defence, and pointing out that the Pact did not confer upon any state or group of states the function of "Pact-Protector," resented the action of the United States. Great Britain, France and Italy supported the United States, while

Germany and Japan held back. Japan, whose Foreign Minister was in constant touch with the representatives of two contending countries in Tokyo, was quite familiar with the dispositions of the parties and also with the actual situation of the Chinese Eastern Railway, and preferred to leave the whole question to direct negotiation between the disputants themselves instead of resorting to any diplomatic *démarche* by a third party which would surely meet with rebuff. Fortunately, China and Russia resumed direct negotiation on December 22 at Habarovsk, and a protocol was signed, by which the status quo of the Chinese Eastern Railway was restored, leaving other outstanding questions to be settled at a conference to be opened on January 26, 1930, at Moscow. Conference was not opened, however, until Mr. Mo Teh-hin's arrival at Moscow in May, as Chinese negotiator. During 1930 and 1931 the delegations of both parties sat in conference repeatedly, but were unable to come to final agreement.

### 34 Wanpaoshan Affair

It is deplorable that even law-abiding Korean farmers living in the interior of Manchuria not only failed to receive due protection, but were often victims of unlawful Chinese acts resulting in the frequent maltreatment of these Japanese subjects in the Chientao District, and the summary arrest of many Korean settlers along the Kirin-Tunhua Railway line in 1930. It is on record that not less than twenty farmers have been summarily shot. The Wanpaoshan incident, which occurred on July 2, 1931, was another grave case.

Those Korean farmers who had been driven from certain rice growing districts in Kirin and Mukden Provinces, found a district some 18 miles from Changchun, a marshy area, covering about 2,000 t'ien-ti (天地) (2,940 acres) between the Itung (a tributary of the Sungari River) and Wanpao hill. A contract for converting 500 t'ien-ti, or 735 acres, of waste land in this district into rice field was signed in February between the Korean farmers and Chinese landowners, and officially approved in the following month by the Changchun prefectural authorities. The term of lease for 500 t'ien-ti was for ten years, with the option of leasing the remaining 1,500 in the future, the Korean lessees to pay an annual crop rent of 2 koku of unhulled rice. By another contract, certain land required for digging an irrigation ditch about 8 miles long and 4 metres wide, running from the Itung River to the proposed rice fields was to be charged with an annual crop rent of 3 koku of unhulled rice. The Korean farmers numbering about 200, eager to complete ditch construction as quickly as possible so that they might harvest a crop within the year, commenced construction work in the early part of April. On May 25, while they were excavating the ditch, three Chinese policemen suddenly appeared and arrested one of the farmers. Several days later, 200 Chinese policemen and a body of

cavalry appeared and ordered the Koreans to stop digging. The Koreans refused to comply; whereupon ten of them were arrested by the Chinese and taken to the Changchun jail. They were treated as criminals.

The real cause of this wanton proceeding, which gradually developed into the Chinese-Korean tragedy of July, was said to turn on a question of commission raised by a man named Sun, agent of the Chinese landowners. While the ditching work was in progress, Sun suddenly demanded of the Koreans a commission of 1,000 gold yen. Being flatly refused, he determined to raise obstacles to the fulfilment of the lease contract and agitated amongst the ignorant Chinese inhabitants in the locality, propagating the idea that if the Koreans irrigated the fields in question, fields of the Chinese living in the neighbourhood would be flooded. He also supplied the Chinese authorities with a story that among the Korean farmers there were many communists when, on the contrary, there was not a single "red." The Chinese farmers, influenced by the reckless agitation, submitted a petition to the Changchun authorities requesting them to order the Koreans to suspend the ditching work and move away. The petition contained thirteen grounds for complaint, the principal items of which were as follow:

1. The dam to be built by Koreans at the Itung River for irrigation purposes would prevent navigation.
2. The area above the dam would be flooded to an extent of 2,000 t'ien-ti.
3. The ditch would hamper land traffic.
4. The landowners and their agent who leased the field to the Koreans in detriment to the interest of other Chinese farmers in the neighbourhood should be severely punished.

Certain remedies for the Chinese complaints were provided in the contract, and there was the possibility of other remedies being easily negotiated to mutual satisfaction. Soon after the "wanton action" of the police, on May 25, the Japanese Consul at Changchun protested, and the ditch construction was resumed. As a result of the negotiation, a joint committee, consisting of officials of both parties, was dispatched on June 9 to make a thorough investigation on the ground. But when the party arrived at the dam site and it became evident that the cultivated area above the proposed dam was only one t'ien-ti (1.47 acres) instead of 2,000 as alleged by the Chinese, the proposed visit to the area where the irrigation ditch was to run was given up owing to hesitation or rather objection on the part of the Chinese.

As the season for rice planting was rapidly approaching, the Koreans becoming impatient, began to build the dam and continue work on the ditch. When dam and ditch were nearing completion, a mob of 500 Chinese farmers, alleged to include about 25 Chinese policemen, invaded the location of the Korean settlers. The Japanese Consul at Changchun, who had apprehended that something of the sort would happen, had

dispatched 15 police officers under Police Inspector Nakamura, who tried to negotiate with the ring-leader of the mob and asked them to withdraw. Without giving heed to the inspector's proposal, the mob, about 30 of whom carried firearms, and the rest other weapons and shovels, destroyed the dam and filled 130 metres of the ditch. Suddenly, firing, directed toward the Koreans, was started by some of the Chinese.

The inspector ordered his men and the Koreans to offer no resistance, and a clash between Koreans and Chinese was thus avoided. When, however, the Chinese again fired, the inspector ordered his men to form a line and finally allowed them to fire, with a strict order not to aim at the Chinese, but merely to frighten them. The Chinese firing was soon silenced. On the following day 20 Japanese police officers were dispatched to the spot, while the Chinese sent a military force of 30 men. Both sides thence confronted each other, but no serious clash took place after that.

Exaggerated rumours of this incident having been spread at home and abroad, it not only led to counter measures of Korean mobs against Chinese in Korea but also to anti-Japanese movements one after another in South and North China.

### 35 Mob Outbreak in Korea

Owing to the continued maltreatment of Korean peasants in Manchuria by Chinese in recent years, there has been generated a certain amount of unpleasant feeling against Chinese nationals in Korea. Commotions occurred in 1927 in South Korea and in Jinsen (Chemulpo). These were promptly suppressed. The ill-treatment of their compatriots by Chinese has always left room for the possible recurrence of such outbreaks. At a time when the Governor-General and Civil Administrator were absent from Korea (being in Tokyo owing to change of personnel) reports of the Wanpaoshan incident of July 1st were the fuse that started bloody clashes of the two nationals in Keiki and Heian Provinces which lasted for three days (June 3-5). When the first report of the Wanpaoshan incident was received, though the police authorities in Korea immediately took precautionary measures against possible emergencies, the first outrages occurred at Jinsen and Keijo (Seoul) on June 3. The police soon controlled the situation and arrested the rioters. According to the official report on casualties, 2 Chinese were injured at Keijo, while 34 policemen and 5 police-horses were injured at Jinsen. But at Heijo (Pyng Yang), the most serious riot broke out on the night of July 4, with heavy casualties on the part of the Chinese.

As there were several scimmages between Chinese and Koreans on the night of the 4th, showing signs of the situation becoming worse, the provincial authorities were paying much attention to possible further



outbreaks, and the whole police force was mobilised for special duty. During the night, a mob, several thousands in number, raided all Chinese houses in their path and attacked the inmates. The police attended to their duty in fullest strength, but were greatly handicapped by the darkness. They, however, succeeded in dispersing the crowds by 2 a. m. Of the Chinese casualties in the Heijo riots, 92 were killed, 86 injured and one drowned, while 7 Koreans were seriously injured and one Korean was killed. In addition, 39 policemen were injured.

The riots breaking out against Chinese nationals in Korea most unfortunately produced considerable casualties on both sides. Of the Chinese, 119 were killed and 195 injured. Though fatalities among the Koreans were small, being 3 killed and 33 injured, 84 police officers and 5 police-horses were injured while on duty. All the wounded were taken to hospital under the care of the local authorities.

For the particular purpose of protecting Chinese, a number of barracks were provided which housed at one time as many as 5,300 refugees. When the situation calmed down, for those Chinese who wished to return to their homes through Jinsen, the Government of Korea chartered a steamer for their transportation, and to those who wished to return by rail free railway tickets were given, while for those remaining in Korea, full protection was extended. The Government of Korea immediately appropriated a solatium fund amounting to 145,000 yen for damages done to Chinese life and property, as in the case of similar happenings to subjects in Japan in periods of domestic trouble.

While the Government of Korea was doing its utmost to make redress according to laws of the land, the Chinese Government, on July 7, presented to the Japanese Government a note of protest of a more or less international nature — mentioning the alleged inability of the Government authorities of Korea to protect the lives and property of Chinese nationals, reserving all rights regarding the question of compensation, and demanding assurances from the Japanese Government against the recurrence of similar outrages. The Japanese reply sent on July 15 was to the effect that while regretting the unfortunate occurrence, the Government was prepared to make all redress and would punish rioters according to law and extend relief to the Chinese victims and compensation for losses and damages sustained by the Chinese nationals in Korea as a result of the riots. The reply further stated that the measures taken to suppress the riots were prompt and effective, the authorities concerned being guilty of no sort of negligence.

The whole incident is somewhat similar to the New Orleans Riot incident of 1851. This was a movement directed against the Spanish residents on the receipt of intelligence of the summary execution of a number of American citizens at Havana by the Spanish authorities in Cuba. When the Spanish Government demanded reparation for injuries from the United States Government, one of the most able of U. S.

Secretaries of State, Daniel Webster, answered by stating "these private individuals, subjects of Her Catholic Majesty, coming voluntarily to reside in the United States, have certainly no cause of complaint, if they are protected by the same law and the same administration of law, as native-born citizens of this country."

### 36 The Nakamura Incident

A wanton atrocity was committed by the Chinese military authorities in June, 1931. Captain Shintaro Nakamura, of the Japanese Army, while travelling through Inner Mongolia, accompanied as guides by a Japanese, Nobutaro Isugi (an inn-keeper at Angangchi, near Tsitsihar), a Russian named Shroekoff, and a Mongolian, were the victims of Chinese soldiery. On June 6, 1931, the party left Ilekuto (宜立克都), near Pokuto station on the Chinese Eastern Railway, for Taonan, via Solum, where they were due about June 12. As there was no news of the party in the early part of July, the Japanese authorities, feeling anxiety, began investigations. A brief report to the effect that two Japanese, two Russians (instead of one) and a Mongolian were shot by soldiers of the Khingan Reclamation Army, being furnished by a Japanese traveller on July 20, the search was further advanced and, finally, the following facts were obtained:

On June 27 at noon Captain Nakamura and his party arrived at Minan-cheng (民安鎮). While they were taking luncheon at a Chinese restaurant called Sanhokü (三合居), a company of regular soldiers belonging to the Khingan Reclamation Army came up and tried to arrest the party. Captain Nakamura showed them his passport, but they took away the Captain and his party and imprisoned them later. After several days of imprisonment, they were told by the Chinese officers that they would be escorted as far as to Kungyehfu (公爺府), a Mongolian town, but they were taken to a neighbouring hill-side where they were summarily shot and their bodies and personal belongings, except valuables and revolvers, which were taken by the soldiers, were burned, probably to destroy all evidences of the crime.

Soon after these facts were obtained, the news relating to the fate of Captain Nakamura was released for publication on August 17. Subsequently, the Japanese Consul-General at Mukden, Mr. Kyugoro Hayashi opened official negotiations with the Chairman of Mukden Province (Mr. Tsang Shi-tugi) and made the following demands: A formal apology from the Chinese authorities; punishment for those regarded as being responsible for the murders; a reasonable indemnity for the loss of lives and property, and guarantees for future good behaviour. The Chairman replied that a commission would be despatched to investigate the matter, and asked for grace of a week for further answer. There being no answer from the Chinese side for several weeks except excuses for delay of the return of the commission of investigation, the Consul-General on September 4, called upon the Chief-of-Staff of the North-Eastern Army, Jung Chen (榮臻) and the Chairman of Mukden Province,

and demanded an answer. The Chairman replied that the commission had returned to Mukden, but its report being rather unsatisfactory, a new commission including officers of the court martial would be appointed. The Consul-General on September 10 delivered a formal note of the Home Government to the Chinese authorities containing the four demands already mentioned. In an interview between the Japanese Consul (Mr. Morioka) and the Chief-of-Staff (Jung Chên), the latter stated that the killing of the Captain was an act of the Third Regiment of Khingan Reclamation Army and that the officer in command of the regiment, Kuan Yu-heng, who was responsible, accompanied by the second commission of investigation, would be at Mukden within a few days.

In the second interview between the Japanese Consul and the Chief-of-Staff, held on September 18 after the return of the commission, the latter said Kuan Yu-heng had confessed that the killing of the Captain and his party was an act done by men under his command, but had not confessed whether it had been done by his order or not. On the following day, a more conclusive answer from the Chinese side was expected by the Japanese authorities at Mukden. But on the very night of the 18th, the lines of the South Manchuria Railway in the vicinity of Mukden were destroyed by Chinese soldiers, which caused the present Sino-Japanese conflict.

### 37 The Manchurian Incident

A grave event occurred at Mukden in September, 1931. On the night of September 18, at about 10:30 p. m., two or three companies of Mukden troops under direction of a Chinese officer belonging to the Peitaiying (North Military) Barracks, destroyed the track of the South Manchuria Railway at a point to the southwest of the barracks where some 7,000 soldiers were quartered under command of General Wang, Commander of the Brigade. The Japanese railway guards pursued the Chinese retreating toward the barracks. When the Japanese approached, a strong fire was directed at them from inside the barracks and actual warfare then commenced. The Japanese soldiers, reinforced up to 600, routed the Chinese troops, 7,000 strong, towards daybreak. After the arrival at Mukden of the main force of the Japanese Army despatched from Liaoyang and Haicheng, a Chinese force of more than 8,000 quartered within the walled city or at the Tungtaiying (Eastern Military) Barracks was completely disarmed or dispersed by 2:30 p. m. on the 19th. Lieutenant-General Honjo, Commander-in-Chief of the Kwantung Army, arriving at Mukden from Port Arthur at noon, placed a detachment of troops at the Chinese barracks, and the gendarmerie, with the support of an infantry contingent, were put on guard within the walled city. The main force was then concentrated within the Railway Zone near by. Subsequently, in the direc-

tion of Changchun, the northern terminal of the South Manchuria Railway, the Japanese railway guard, one regiment strong, under Colonel Nagashima, found itself in imminent danger after hostilities had started at Mukden, as the guard was placed within a line of Chinese troops about 10,000 strong, possessing some 40 pieces of artillery.

This Japanese force, as a necessary step in self-defence, on the morning of September 19, about 3 a. m. began to disarm the Chinese contingent stationed at Kwanchengtzu and the troops quartered at the Nanling Barracks, Changchun. In the course of the engagement at Nanling, the Chinese hoisted several white flags and opened fire after drawing the unsuspecting Japanese within 40 or 50 metres. Such treacherous acts on the part of Chinese troops caused heavy casualties on the Japanese side, so that 3 officers and 63 men were killed and 3 officers and 76 men wounded, the total casualties being 142 in the Changchun engagement. The total casualties in the Mukden engagement were only 25, two men being killed and 4 officers and 19 men wounded.

As soon as order was restored in Mukden, the Commander-in-Chief (General Honjo), on the evening of the 19th, issued a proclamation, stating that "the track of the South Manchuria Railway having been destroyed by Chinese soldiers of the North Barracks then attacking the Japanese railway guards," he declared, "he has been forced to adopt the drastic course taken in order to safeguard Japan's acquired rights." The proclamation further stated, "the general populace should rest assured of our absolute protection and should follow their daily occupations without the slightest fear."

The importance of the South Manchuria Railway, constituting as it does a part of the world system of communication, needs no emphasis. Such a route cannot be allowed to be disturbed even for a moment. This was made clear in the statement, issued on September 24 by the Japanese Government in order to make known its attitude in regard to the Manchurian incident. The Government stated: "The Japanese army had to act swiftly" . . . "in order to forestall an imminent disaster," because the situation became critical when the railway track was destroyed by the Chinese soldiers, "as the number of Japanese guards stationed along the entire railway line did not then exceed 10,400, while there were in juxtaposition some 220,000 Chinese soldiers. Moreover, hundreds of thousands of Japanese residents were placed in jeopardy." The Japanese military action thus began as an act strictly of self-defence.

Chinese soldiers garrisoned in neighbouring localities along the South Manchuria Railway were disarmed, and the duty of maintaining peace and order was left in the hands of local Chinese organizations under the supervision of Japanese troops. These measures having been taken, most of the Japanese soldiers "were withdrawn within the Railway Zone, except 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." In the Government statement, Japan again repeated the assurance that "the Japanese Government harbours no territorial designs in Manchuria." "What we desire," declared the statement, "is that Japanese subjects shall be enabled to engage in various peaceful pursuits and be given the opportunity of participating in the development of the land by means of capital and labour." Japan, however, took the view that "it is the proper duty of a government to protect rights and interests legitimately acquired by the nation or individuals," such as "to guard the South Manchuria Railway against wanton attack." The Japanese Government exhibited its conciliatory spirit toward China by stating that the 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 cause for future friction," and hoped that "the present difficulty could be brought to a solution which will give a new turn to the mutual relations of the two countries."

### 38 Jeopardizing Japan's Treaty Rights

The incident of September 18 was not an isolated event, but was rooted in China's earlier and frequent provocations jeopardizing Japan's treaty rights and interests.

Japan's treaty rights and interests in Manchuria, and in part of Mongolia, have been gradually established by numerous treaties and agreements, in the course of nearly a quarter of a century since the Peace Treaty of Portsmouth and the Peking Treaty, signed in 1905. Based on these legal rights, Japan has invested more than 2,000,000,000 yen; while 1,000,000 of her nationals, including Koreans, have homes in Manchuria. During the past twenty-five years, the Japanese have initiated many industrial and agricultural developments. The presence of the Japanese in Manchuria, however, has benefited the Chinese as a whole more than the Japanese or other nationalities. The stupendous growth of agricultural and industrial products gave Manchuria an excess of exports over imports, like the United States, contrary to the trade condition experienced in Japan or Great Britain. However, in recent years, specially since Marshal Chang Hsueh-liang succeeded to the leadership in Manchuria, and since agents of the Kuomintang (National Party) of the South, and of the Nanking Government, penetrated Manchuria, the Chinese authorities and political associations, obsessed with the fundamental aim of the National Party, the "recovery of national rights" adopted the policy of effecting unilateral cancellation of solemn international agreements by legislative and administrative measures, and often by unlawful action. There are numerous cases in which the Chinese authorities in Manchuria encroached

upon Japan's treaty rights and interests. If minor cases be included, more than 300 such cases are pending settlement under protest, all occurring prior to the outbreak of the Manchurian Incident. In each case, Japan protested and discussed means of conciliation without avail. The Chinese, by procrastination or excuse, have never shown the least sign of sincerity or desire to effect any sort of readjustment.

Regarding loans aggregating more than 98,000,000 yen advanced during 1917-18 to the Chinese Government by three Japanese chartered banks, with guarantee of the Japanese Government, for development of railways, telegraphs, mines and forests, principal and interest are all in default. Of the loans aggregating to 123,000,000 yen made by the South Manchuria Railway Company to finance the Ssupingkai-Taonan Railway and the Kirin-Changchun Railway, and construct the Taonan-Angangchi Railway and the Kirin-Tunhua Railway, neither principal nor interest has been paid. The Chinese not only ignored the obligation of undertaking railway construction provided in the railway loan agreements with the Japanese concerns signed in 1913, 1918 and 1928, but built their own railways such as the Hailung-Kirin and Tahushan-Paiyintala lines, or projected other lines parallel with and prejudicial to the South Manchuria Railway in violation of a provision of the Protocols attached to the Treaty of Peking, signed in December 1905. In spite of the provision in Article 9 of the Nine-Power Pact signed at the Washington Conference, which specified that no discrimination should be made in the railway transport charges against foreign goods, the Chinese railways in Manchuria charge a higher rate on Japanese imported goods than on domestic goods. With regard to the linking of railways, the Through Traffic Agreement between the South Manchuria Railway and Ssupingkai-Taonan Railway was concluded in September 1929. But the Chinese North-Eastern Communications Committee refused to give sanction to the amendment of the Through Traffic Agreement, via the South Manchuria line to the Korean Railway and the Ssu-Tao line, which is inseparable from the aforesaid agreements.

There are also a number of cases in which the Chinese authorities imposed unreasonable tariffs and taxes on Japanese interests. A provision of the Dairen Customs-House Establishment Agreement, signed in 1907, guaranteed to avoid by resort to drawbacks the double imposition of Chinese customs duty on goods reshipped from other Chinese ports. In May, 1931, the Chinese authorities abolished this system, and compelled shippers to pay double duties on goods reshipped to Dairen. The Detailed Protocol for Fushun and Yentai Collieries of 1911, to be effective for sixty years, provides that the South Manchuria Railway shall pay one silver mace on each ton of coal exported. The Chinese authorities, however, since June 1, 1931, have attempted to levy more than three times the amount, and this case is now under protest. As Japan, by virtue of treaty, has absolute and exclusive administrative rights in

the South Manchuria Railway Zone, the Chinese have no right to levy taxes within the Zone, but the authorities have attempted to impose business taxes upon Chinese resident within the Zone. When met by strong protests from the Japanese authorities, they have adopted other methods, not only charging 2% business tax, but 3% production tax, on goods carried outside the Zone.

Japanese subjects are entitled to lease land in South Manchuria under free contract for commercial, industrial and agricultural enterprises by virtue of the Sino-Japanese Treaty signed in 1915. The Chinese Government and local authorities, however, made this most legitimately-established treaty right of Japan practically inoperative, by issuing numerous regulations, ordinances and instructions (some of them in secret) against Japanese and Koreans. In extreme cases, Chinese leasing or selling land to foreigners were made liable to the death penalty or imprisonment for life. These extreme penalties were proclaimed by ordinance issued by the Mukden Government in 1929. The ordinance was somewhat moderated later, but still it was impossible for Japanese subjects to acquire land lease under the legal conditions prevailing. On the other hand, the Chinese authorities attempted to recover all "rights" from the Japanese. In March 1930, Mukden officials, by threat of capital punishment, forced a Chinese, Li Un-pi, to recover title-deeds from the Eastern Asiatic Industrial Co., under Japanese management, relating to land leased at Mentaitze. In Penchihsien, a Chinese was imprisoned for having leased lime-producing land to a Japanese, and the authorities proposed confiscation of that land, while a Chinese landlord in Tsianhsien was arrested for having let his house to Japanese for a police office. The Sakakibara Farm, near Mukden North Mausoleum, had been lawfully leased with the approval of the Chinese authorities by one Sakakibara, a Japanese subject, in the name of his brother, Uramoto, in 1919. Since 1924 the Chinese authorities have often interfered with the property, as by laying a railway across the farm land without the lessee's consent. When this interference became more forcible, on June 27, 1929, Sakakibara was compelled to remove the railway track from his land.

The Kirin and Mukden Governments were more active in interfering with the scattered agricultural lease holdings of Koreans engaged in rice cultivation in the interior far from the Japanese Railway Zone and Consular districts. These Koreans were more exposed to the tyranny of the Chinese authorities, and in recent years, such official oppression of Korean residents became more violent. By a secret ordinance, Koreans having property in Chientao district, if they refused naturalization as Chinese, were made liable to deportation across the frontier, and their property subject to confiscation. There are also a number of cases in which Korean tenants occupying agricultural land have been forced to assume the position of contract labourers, their

Chinese landlords having been compelled by the authorities to cancel the leases held by the Koreans. In the spring of 1931 many peaceful Korean residents were driven away by the Chinese authorities, under the pretext of stricter control being required over communists. During the years 1928-31, the most flagrant instances of such acts of oppression of Koreans exceeded a hundred in number.

### 39 The League of Nations

The Sino-Japanese incident in Manchuria at the outset attracted the attention of the League of Nations. On the application of the Chinese Government that cognizance be taken of the matter in accordance with Article 11 of the League Covenant, the League Council officially made the issue a subject of investigation. The Council held three sessions during 1931 and passed two resolutions. The United States, though not a member of the League, acted generally in concert with that body as a foremost signatory to the Anti-War Pact of 1929 and the Nine-Power Treaty of 1922. The Japanese Government "exercised the utmost efforts to make their position clear both to the League of Nations and to the United States." The Council's investigations into the Manchurian situation will be noticed in more detail in the following sections.

#### 40 League Council's First Session (September 22-30)

While the Council and the Assembly of the League were in session at Geneva, the Chinese and Japanese representatives, on September 19, made brief reports on the incident of September 18 at the request of the President of the Council, Senor Lerroux (Spain), and promised to furnish fuller information as soon as they would obtain it from their respective Governments.

The Chinese representative, Dr. Alfred Sze (Minister to Great Britain), however, on the 21st delivered to Sir Eric Drummond, Secretary-General of the League, an appeal to summon a meeting of the Council on the Manchurian Incident, by virtue of Article 11 of the League Covenant. The statement enumerated the actions of the Japanese troops against which China "made no resistance," and asked the League "to take immediate steps to prevent further development of a situation endangering the peace of nations, re-establish the *status quo ante* and determine the amount and character of such reparations as may be found due to China." When a Council session formally began on the 22nd, the Chinese representative in his address charged Japan on many grounds—seizure of Chinese railways and property, occupation of Chinese territory as large as Great Britain, and concluded that the situation being grave, it was imperative the Council took steps for the purpose of preventing "the further development endangering the peace of nations" and for the purpose of restoring the *status quo ante*. He also demanded that Japan should pay China reparation and damage

In reply, the Japanese representative (the Ambassador to France, Mr. Yoshizawa) stated that, "in order to form a clear idea of the situation, we must look at the area where the incident occurred." Manchuria was a vast territory, where Japanese had "enormous interests and rights guaranteed by numerous treaties," their residents numbering "some hundreds of thousands." In this vast region, the Chinese authorities maintained nearly 220,000 soldiers, whereas Japan, in virtue of treaty, had garrisons aggregating about 10,000 men. When the incident occurred on September 18 at Mukden, the comparative strength of Japanese force was 500 to 24,000 Chinese troops. Regarding the Chinese representative's contention that the incident took place without resistance on the part of the Chinese troops, the Japanese representative said that the incident was, according to official information, caused by the destruction by the Chinese troops of part of the Japanese railway near Mukden, against which act "the small Japanese garrison force was obliged to take up arms." It was necessary, he continued, to occupy important cities "in order to prevent further incidents and to protect the South Manchuria Railway and life and property of Japanese nationals resident in the districts." This regrettable incident, Mr. Yoshizawa maintained, could not be regarded as an isolated event, but was rooted in earlier and frequent provocations on the part of the Chinese, which were calculated to imperil Japanese rights and interests duly acquired by treaty. As to the Chinese demand for reparation for losses caused in consequence of these incidents, the representative stated that "any such claim is unintelligible" to Japan, "since in our view the Chinese troops are responsible for the incident." About the re-establishment of the *status quo ante* demanded in the Chinese Government statement, Ambassador Yoshizawa briefly said, "that is a question which, in my opinion, cannot be properly settled except on the spot." He mentioned that the Japanese and Chinese Governments, unanimously concurring on the need of preventing anything that might aggravate the situation, a proposal had been made from the Chinese side that solution might be sought by direct negotiation between them. "Premature intervention in this circumstance," he added, "would have the deplorable result of needlessly exciting Japanese public opinion, which is already excited, and thus impede the pacific settlement of the situation."

Viscount Cecil of Chelwood, the British representative, in a noteworthy speech, declared it was vitally important that every country should avoid such incidents as had occurred in Manchuria. He appealed to the Governments of Japan and China to support the views of the League concerning aggression and to do nothing further to aggravate the situation. The British representative suggested to the Council to communicate the Council's minutes to the United States, which was interested in the several international instruments for the preservation of peace, such

as the Kellogg Pact and the Nine-Power Treaty.

The Chinese representative, after Lord Robert Cecil's address, asked for immediate action of the League, but the Japanese representative suggested direct Sino-Japanese negotiations as the best means of settlement. The Council, on the evening of the 22nd, adopted a resolution authorizing the President of the Council —

1. To make an urgent appeal to the Governments of China and Japan to refrain from any act which might aggravate the situation or prejudice the peaceful settlement of the problem;

2. To endeavour, in consultation with the Chinese and Japanese representatives, to find adequate means of enabling the two countries immediately to withdraw their respective troops without the lives of their nationals and the safety of their properties being endangered.

The Council also decided to transmit to the United States Government, for its information, the minutes of the Council's meeting and relative documents.

The United States, supporting the efforts of the League of Nations, the Secretary of State (Mr. Henry Stimson) in an identic note despatched to Japan and China September 23, declared —

"The Government of the United States feels warranted in expressing to the Japanese and Chinese Governments the hope that they will cause their respective military forces to refrain from further hostilities and so dispose their armed forces as to satisfy the requirements of international law and international agreements, and that they will refrain from activities which may prejudice the settlement of their differences by amicable means."

The Japanese and Chinese replies to the League were transmitted on the 24th and 25th respectively through their representatives. While China emphasized the necessity of Japan's immediate withdrawal of her troops and China's determination to assume full responsibility for the protection of the lives and property of Japanese nationals, Japan stated that she was desirous of considering the peaceful settlement of the incident as quickly as possible by direct negotiation, insisting at the same time that the Japanese forces were being withdrawn to the fullest extent compatible with the maintenance of the safety of Japanese subjects and of the railway.

The statement of the Japanese Government on the Manchurian Incident was issued to the public on September 24, and also sent to the Council. It clearly stated some detachments remaining in a few places outside the Railway Zone would be withdrawn, as soon as the object of removing the menace on its flank to the South Manchuria Railway had been attained, and that Japan harboured no territorial designs, but would feel more grateful "if the present difficulty could be brought to a solution which will give a new turn to the mutual relations of the two countries."

The Council took up the Manchurian issue at the afternoon session

on September 25. The Japanese representative (Ambassador Yoshizawa), after reading his Government's statement and the note of reply to the Council, dealt with several points more in detail. He explained the recent action of Japanese troops, which were withdrawing from occupied territory as security was established. He reiterated his assertion that the Japanese Government was ready to begin direct negotiations immediately with China for a happy solution.

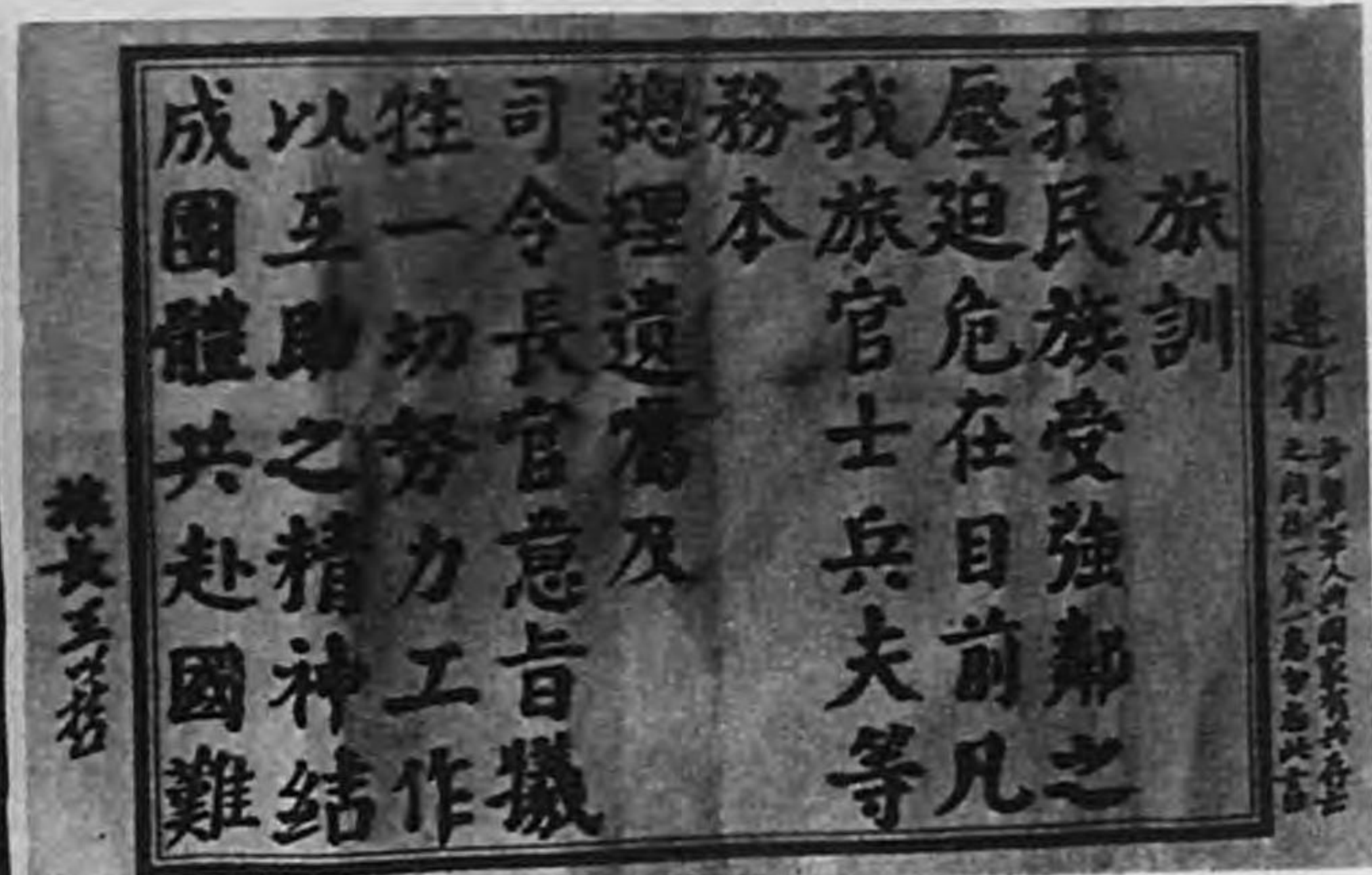
The Chinese representative (Dr. Sze) in his address, affirming that China had placed herself unreservedly in the hands of the League of Nations, asked the Council to cause the withdrawal of the Japanese troops from outside the Railway Zone, and emphasized the ability of the Chinese Government to protect the lives and property of Japanese nationals. He also proposed a commission of neutral observers to examine the Japanese troops' withdrawal and report thereon to the Council. Exchange of views and discussions especially between the Japanese and Chinese representatives was continued at the Council's meeting opened to the public on September 28 and 29.

On September 30, the Council at the afternoon session adopted a resolution of nine paragraphs drafted by a special committee consisting of the representatives of Great Britain, France, Italy, and Germany, the important points of which were as follow:—

1. The Council notes the steps already taken by the Chinese and Japanese Governments in response to the urgent appeal made by the Council on September 22.
2. The Council recognizes the importance of the statement of the Japanese Government that it has no territorial designs in Manchuria.
3. The Council notes the statement of the Japanese representative that his Government intends to continue as rapidly as possible the withdrawal of its troops, which is already in progress, to the railway zone, in proportion as the safety of the lives and property of Japanese nationals is effectively assured, and that it hopes to be able to carry out this intention in full as speedily as possible.
4. The Council notes the statement of the Chinese representative that his Government will assume responsibility for the safety of the lives and property of Japanese nationals outside the railway zone as the withdrawal of the Japanese troops continues and the Chinese local authorities and police forces are re-established.
5. The Council is convinced that both the Chinese and Japanese Governments are anxious to avoid taking any action calculated to disturb the peace and good understanding between the two nations, and notes that both the Chinese and Japanese representatives have given assurances to the effect 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. The Council 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 undertakings mentioned above.

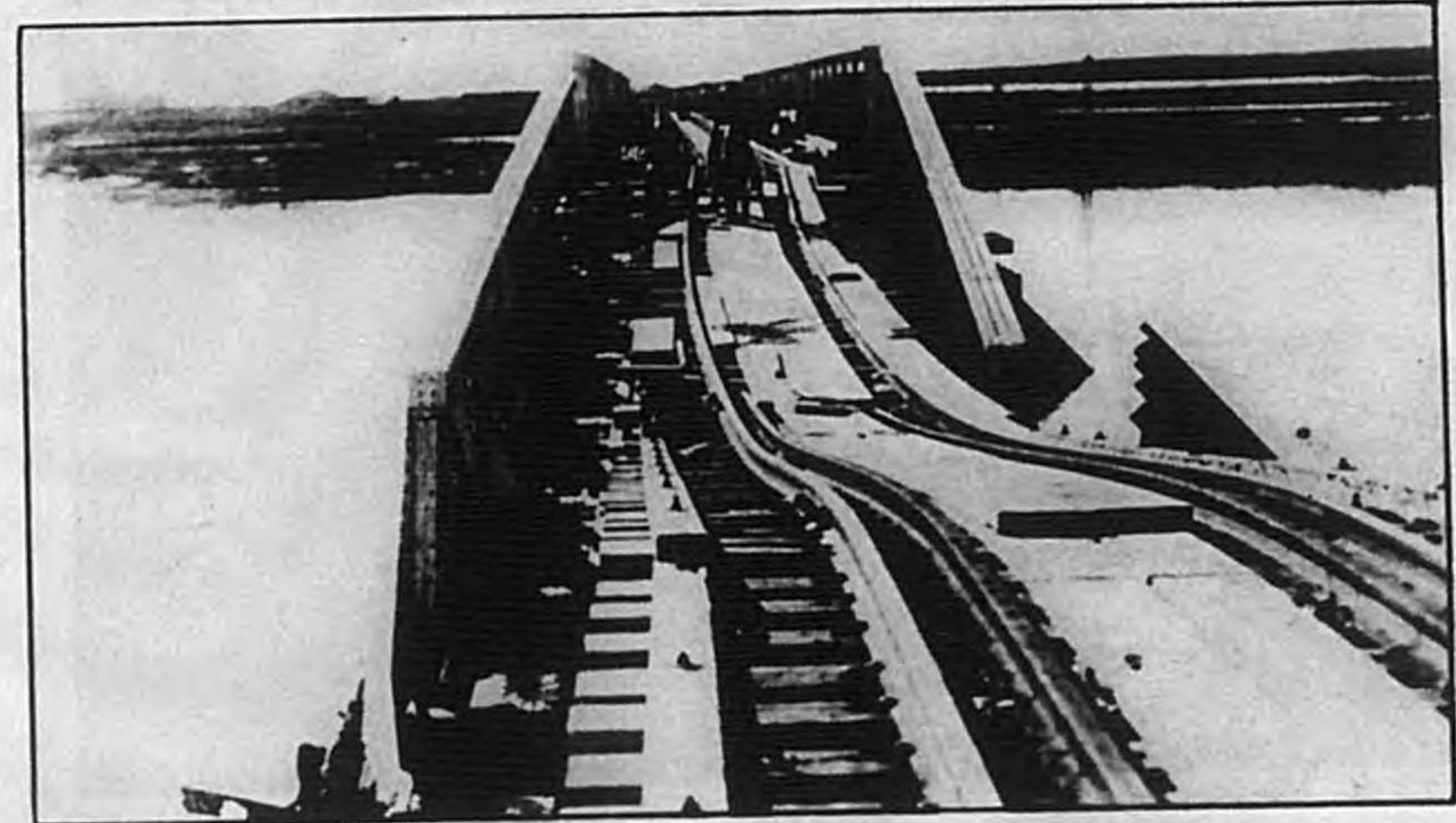
One of the Inspired Posters found posted on a wall of Chinese military barracks, reading, "Keep a watch at the railway to the west of our barracks."

看哪？營垣西邊的鐵道

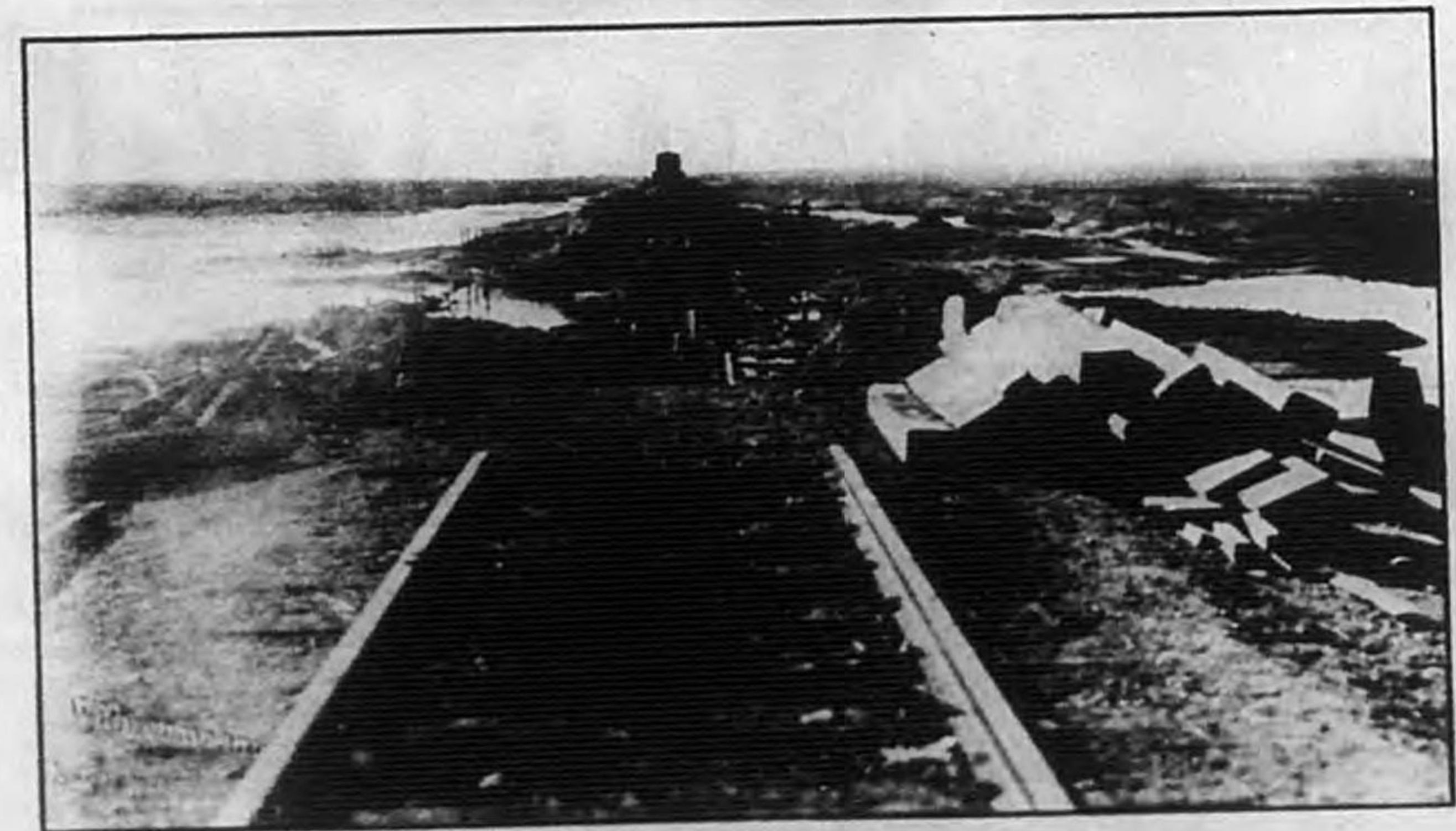


"Anti-Japanese Leaflet Text"

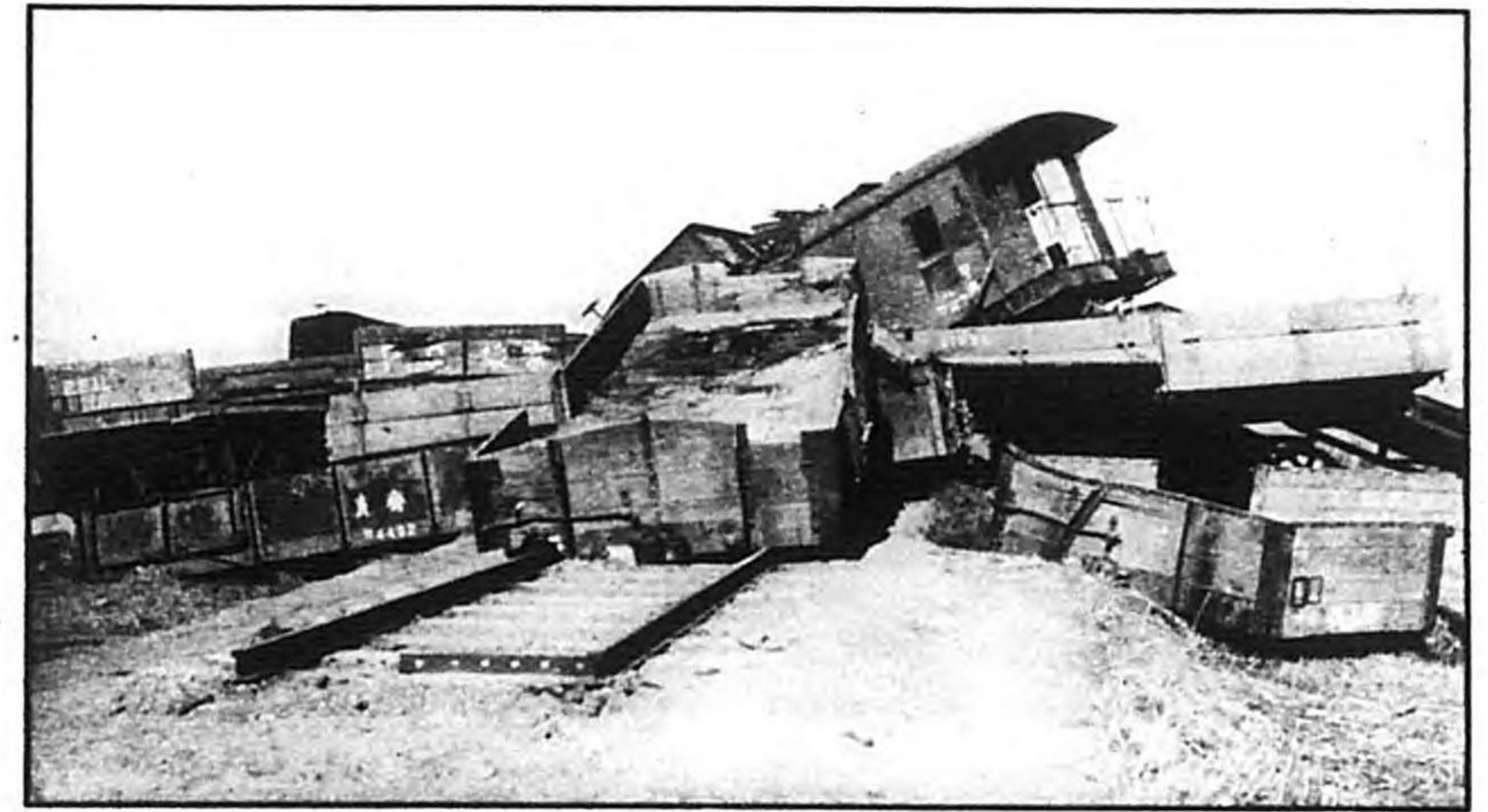
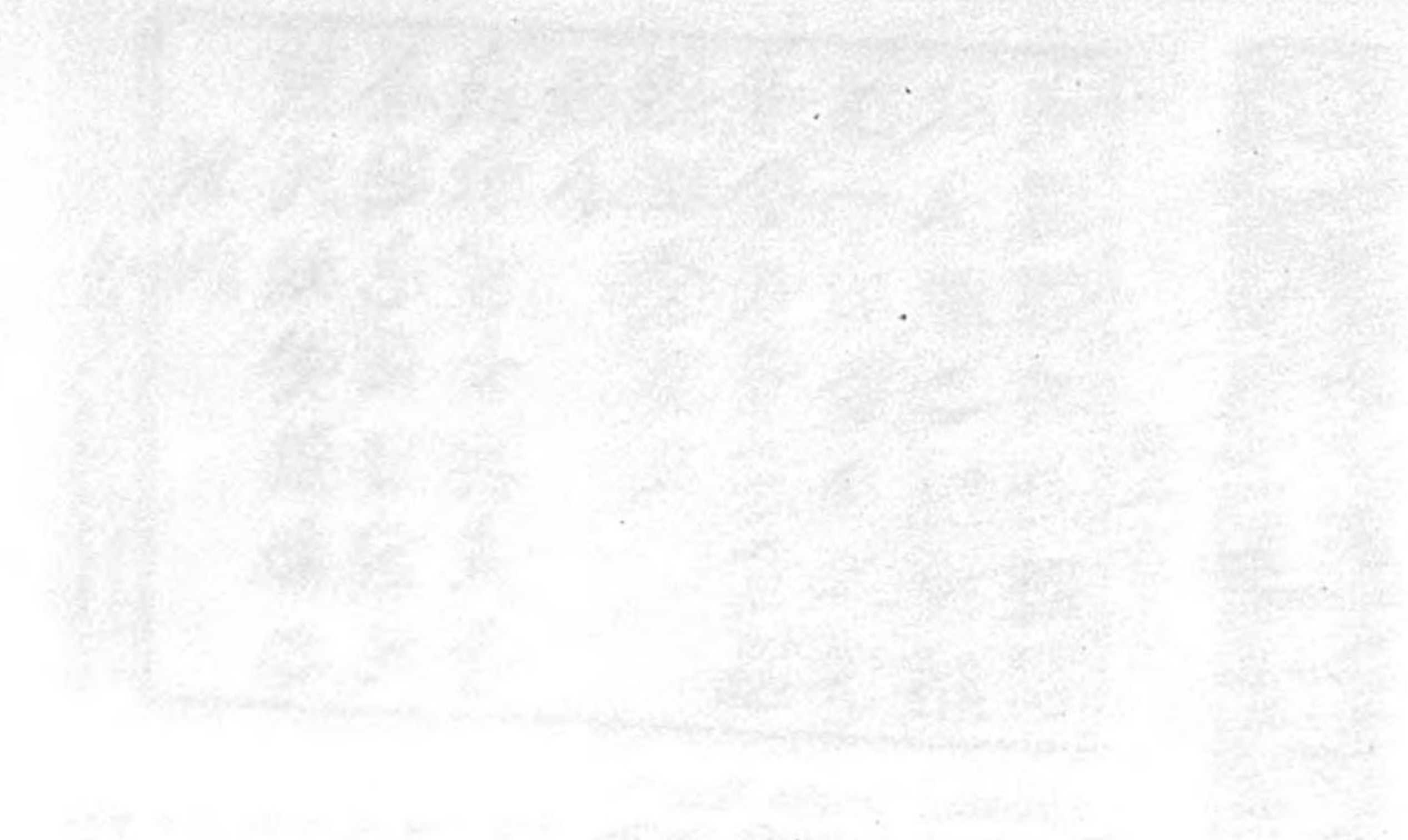
"The oppression of powerful neighbour being upon us, danger is at hand. Rise, our men! and do your utmost in emergency." This note, signed by Major General Wang-iche, a Brigade Commander of the North Barrack, was found by Japanese troops in the barrack evacuated by the Chinese soldiers.



Destruction of Railway Bridge (Iron) at Nonni River



Japanese Troops Repairing Railway Bridge (Wooden)  
Taonan-Angangchi Railway



Communication Destroyed by Removing Rails and Piling up Freight Cars, near Tahsing Station on the Taonan-Angangchi Railway



Japanese Troops Repairing Railway Bridge Destroyed by Chang Hsueh-liang's Soldiers (Hsiaoling River on the Mukden-Shanhaikwan Line)



Japanese Repairing Corp Repairing Railway Bridge on Liuchia River on the Same Line

7. The Council requests both parties to furnish it at frequent intervals with full information with regard to developments in connection with the situation in Manchuria.

The Council further resolved "to convene at Geneva on October 14, in order to consider the situation as it then stands" unless any unforeseen occurrence might render an immediate meeting essential, or to cancel the meeting scheduled for October 14, if the Council's president, after consulting with his colleagues, more particularly with the Japanese and Chinese representatives, decides that such meeting is no longer necessary.

Thus Japan before the League of Nations pledged herself to withdraw her troops to their original stations as soon as order had been restored in the area which Japan had deemed it necessary to occupy following the military clash at Mukden, and in fact the Japanese troops in Manchuria had been withdrawn from Hsinmintun, Tienchaotung, and other towns, except "skeleton" military forces remaining at Kirin, and outside the Railway Zone in Mukden. China also before the League promised to assume responsibility for the safety of the lives and property of Japanese nationals outside the Railway Zone. Both parties gave assurance not to aggravate the existing situation in Manchuria.

Thus the resolutions on the Manchurian issue of the League of Nations at the outset seemed a preliminary to an amicable settlement. But the actual situation developed to the contrary. Prior to and after the League's resolution of September 30, anti-Japanese movements and violent assaults on the lives and property of Japanese became common not only in Manchuria but also in China proper\* and overseas. The activities of disbanded soldiers, who scattered and combined with local bandits, became more and more rampant, threatening the South Manchuria Railway lines almost in every direction and constantly menacing the railway communities and Korean farmers. Toward the end of September about ninety Korean farmers in the vicinity of the mountain district south-east of Changchun, were shot dead or burnt to death by local bandits, mainly composed of disbanded Chinese troops. On October 2, a

\* Toward the end of September an anti-Japanese movement on the part of Chinese broke out in Hongkong. Because of increasing attacks most of the Japanese had taken refuge on board ships lying in the port; others took refuge in the Japanese primary school under protection of British troops. Six Japanese were killed at Kowloon, opposite Hongkong. Subsequently martial law was declared by the Government of Hongkong on September 29.

A mob of Chinese students at Nanking shouting "Down with the weak diplomacy on Manchuria" and "Declare war on Japan," attacked on September 28 the private residence of Dr. C. T. Wang, Minister of Foreign Affairs, who was severely beaten. The anti-Japanese movement and habitual practice of boycott against Japanese goods have been carried on systematically and drastically in Shanghai and elsewhere. Under the leadership of the anti-Japanese and National Salvation Associations (抗日救國會) resolutions were passed on October 5 to enforce prohibition of trading in and transporting Japanese goods, to abstain from supplying the Japanese with raw materials, cancelling contracts of employment between Chinese and Japanese, and to deal with no Japanese bank in order thus to effect the so-called "complete severance of economic and trade relations with Japan."



mixed band of Chinese government soldiers and local bandits invaded the farm of a Japanese concern at Kungtaipu, south of Mukden, and a large number of Korean and Chinese farmers and their women were plundered and outraged, while on the following day thousands of Chinese soldiers and brigands made their appearance at a Korean settlement near Fushun coal mine where they looted and murdered according to custom. Cases of brigandage committed and attacks on Korean farmers outside the Railway Zone were reported almost every day in the early part of October, and on each occasion the Japanese army had to despatch relief detachments. On the other hand, the Japanese army had to ward off desultory attacks of Chinese troops on the South Manchuria Railway line and lines owned or controlled by the Japanese. Subsequently, Chinese troops were reported to be concentrated in the vicinity of Hsinmintun preparatory to launching an attack on the South Manchuria Railway Zone, while "plain-clothes" soldiers and spies sent by Marshal Chang Hsueh-liang, were preparing, in co-operation with scattered remnants of Chinese troops on both sides of the zone, to attack points where the Japanese guards were weakest. The orders for every movement of these men emanated from Chinchow, the seat of Marshal Chang Hsueh-liang's provisional government. A squadron of Japanese aircraft was sent on October 8 at 1.30 p.m. to Chinchow simply for reconnaissance purposes. The machines were fired at by the Chinese troops, and the aircraft in retaliation dropped 25-30 bombs.

#### 41 Council's Second Session (October 13-24)

Amid the sensation caused in Europe and America by the news of the attack by Japanese aeroplanes on Chinchow and the violent actions of Chinese boycotters in South China, the President of the Council, October 9, requested the Japanese and Chinese Governments "to refrain from any action which would aggravate the situation." Japan's reply sent on the 22nd justified the action of the aeroplanes which it was pointed out could not be regarded as an aggravation of the position.

At the request of the Chinese representative (Dr. Alfred Sze) who had furnished the Council of the League with alleged information of the bombardment of Chinchow and other Japanese military actions, the Council advanced the date of the meeting to the 13th October from the 14th which was fixed by the resolution of September 30. The meeting of the Council was on this occasion presided over by the French Minister for Foreign Affairs (M. Aristide Briand) who accepted the presidency.

When the Chinese representative was called upon on the 13th, he made a lengthy speech, reading a statement. Contrary to the hope that Japanese troops would be withdrawn into the Japanese Railway Zone before October 14, he said, the Japanese had engaged in "further acts of occupation, aggression and violence," culminating in the bombing of



Corpses of Korean Victims Massacred by the Chinese Refugee Soldiers at Kuchiatze, Kirin Province



Korean Refugees Temporarily Brought in to the Japanese Consulate at Kirin (taken on Oct. 7, 1931)



Korean Refugees in Kirin Quarters in Barracks Evacuated by the Chinese Soldiers. The Number of Korean Refugees Reached 876; Oct. 12, 1931

and Japan. On the following day, the President (M. Briand) proposed that the Council should invite the Government of the United States to participate in the Council's efforts by sending a representative to sit at the Council table. The Japanese representative objected to the proposal simply from the juridical viewpoint since the United States was not a member of the League of Nations. The proposal was passed as a "procedure" by a majority of votes, Japan alone dissenting, whose representative insisted that a unanimous vote was essential according to the constitution of the League. The invitation, however, was sent to the United States, which immediately accepted by appointing Mr. Prentiss Gilbert, United States Consul-General at Geneva. It was reported that Japan, after several interviews between the Japanese Ambassador (Mr. Debuchi) and the Secretary of State at Washington, recognized the presence of Mr. Gilbert as an accomplished fact and would raise no objection to his speaking when discussions involved the Anti-War Pact.

The Council was kept busy on the main issue for several days following October 17, during which private sittings among members of Council, separate interviews of its President with Japanese and Chinese representatives, and drafting a resolution took place. At the meeting of the Council on the 22nd, opened to the public, M. Briand submitted a draft resolution for deliberation. Of the draft resolution consisting of seven articles, the most important item was Article 4 which ran as follows:—

Paragraph 4. The Council—

(a) calls upon the Japanese Government to begin immediately and to proceed progressively with the withdrawal of its troops into the railway zone, so that the total withdrawal may be effected before the date fixed for the next meeting of the Council; (The date of the next meeting was provided in the resolution for November 16.)

(b) calls upon the Chinese Government, in execution of its general pledge to assume the responsibility for the safety of the lives and property of all Japanese subjects resident in Manchuria, to make such arrangements for taking over the territory thus evacuated as will ensure the safety of the lives and property of Japanese subjects there, and requests the Chinese Government to associate with the Chinese authorities designated for the above purpose representatives of other Powers in order that such representatives may follow the execution of the arrangements.

The draft resolution "to begin immediately and to proceed progressively with the withdrawal" of the Japanese troops into the Railway Zone so that their total withdrawal should be effected prior to November 16, it was materially impossible for the Japanese Government to accept, inasmuch as feeling was then running high in Japan, and the Chinese authorities were utterly powerless to prevent disorder in the areas under their control. The Japanese Government repeatedly intimated to the Council that it had endeavoured from the outset not to aggravate the situation and to withdraw the troops as soon as assur-

ances were effectively given and received of the safety of the lives and property\* of the Japanese. When the draft resolution was submitted for approval of the Japanese and Chinese representatives, Mr. Yoshizawa again stated that Japan could only withdraw her troops according to the progress made in protection of her nationals, but could not accept "fixing a definite date for the complete withdrawal of troops." On the 23rd, Japan submitted to the Council a counter proposal to the draft resolution. It contained eight formulae; the first three being adopted from those of the Council's, but the 4th, 5th and 6th were modified as follow:—

Paragraph 4 again notes the statement by the representative of Japan made on October 13th to the effect that the Japanese Government would withdraw those of its troops still remaining in a few localities outside the said zone as the present atmosphere of tension clears and the situation improves, by the achievement of a previous understanding between the Chinese and Japanese Governments as regards the fundamental principles governing normal relations—that is to say, affording an assurance for the safety of the lives of Japanese nationals and for the protection of their property;

Paragraph 5 recommends that the Chinese and Japanese Governments confer together at once with a view to arriving at the understanding mentioned in paragraph 4;

Paragraph 6 recommends that the Chinese and Japanese Governments appoint representatives to arrange the details of execution of the evacuation and of taking over the districts evacuated.

When the British representative, Lord Robert Cecil asked the Japanese representative what were the "fundamental principles" mentioned in the Japanese proposal, Mr. Yoshizawa briefly answered that they were matters which would give Japan assurance that the lives and property of Japanese would be effectively safeguarded. At the morning session of the following day, Lord Robert Cecil again asked for a further explanation regarding the "fundamental principles," but Mr. Yoshizawa only stated that his Government held certain views, but that he was not authorized at that time to communicate them to the Council.

At the afternoon session of the same day, when M. Briand declared that he would put the two proposals to the vote, the Japanese representative briefly reiterated Japan's position: that it had no territorial designs in Manchuria; was determined to withdraw its troops within the Railway Zone as soon as it was satisfied that the lives and property of its nationals were effectively safeguarded; and was quite ready to enter into negotiations with China at any time. He lastly pointed out the fact that the problems under consideration were those "affecting the very life of Japan," and that the situation could not be

\* Japan's reply of October 12 to the League of Nations' non-aggravation reminder of October 9, and Mr. Yoshizawa's statement of October 18.

the Chinese city of Chinchow. After citing two proclamations issued by the National President (Chiang Kai-shek), Dr. Sze declared that China offered "no resistance, withdrew her troops, and maintained a dignified calm," she being faithful to the League, to which China had entrusted her case. The Japanese representative being called upon, pointed out that statements made by his Chinese colleague were different from the facts. Regarding the "non-resistance" on the part of China, Mr. Yoshizawa mentioned the Japanese casualties of 150 killed and wounded in the single engagement at Changchun on September 19, and daily attacks on Japanese nationals in Manchuria by Chinese ununiformed soldiers. Referring to the Chinese promise of protection of Japanese nationals in China proper, he asserted that places in which the anti-Japanese agitation was violent were "precisely those which are under the direct control of the Chinese Government" and that General Chiang Kai-shek himself attended a meeting organized by the National Party at Nanking, September 22, which despatched a circular telegram all over China recommending the breaking off of trade relations with Japan.

As regards the Chinchow incident, Mr. Yoshizawa referred to the official communication sent on October 12 from the Japanese Government to the Council which stated that "the Japanese troops were obliged to observe attentively the movements of the Chinese troops and to take meticulous measures of precaution." He proceeded to describe the Japanese relation with Manchuria as being closely associated with the historical background beginning with the Sino-Japanese war of 1894. "In seeking the solution of a question of this range," he believed, "it is essential to take the widest view of the practical and political realities of the situation," instead of attaching too great importance to "the theoretical arguments and possibilities." As the present situation was greatly disturbed by the violent anti-Japanese agitation throughout China and the cruel acts inflicted on numbers of Korean and Japanese residents in Manchuria, which were irritating the Japanese public, the Japanese representative suggested that the Council "look first of all to all means of calming the minds of the public and creating a moral disarmament between the two nations." In conclusion, Mr. Yoshizawa said the withdrawal of the Japanese troops was not conditioned on the realization of such understanding, but was "conditional on the security and protection of our nationals" in Manchuria.

As the United States was keenly interested in the action taken by the League of Nations, the note sent on October 11 by Mr. Stimson to the Secretary-General of the League showed the readiness of that Government to support the actions of the League in the Sino-Japanese dispute. The question of the admission of an American representative to the sittings of the Council meetings was discussed on 14th and 15th at private sittings of members of the Council, except the representatives of China

and Japan. On the following day, the President (M. Briand) proposed that the Council should invite the Government of the United States to participate in the Council's efforts by sending a representative to sit at the Council table. The Japanese representative objected to the proposal simply from the juridical viewpoint since the United States was not a member of the League of Nations. The proposal was passed as a "procedure" by a majority of votes, Japan alone dissenting, whose representative insisted that a unanimous vote was essential according to the constitution of the League. The invitation, however, was sent to the United States, which immediately accepted by appointing Mr. Prentiss Gilbert, United States Consul-General at Geneva. It was reported that Japan, after several interviews between the Japanese Ambassador (Mr. Debuchi) and the Secretary of State at Washington, recognized the presence of Mr. Gilbert as an accomplished fact and would raise no objection to his speaking when discussions involved the Anti-War Pact.

The Council was kept busy on the main issue for several days following October 17, during which private sittings among members of Council, separate interviews of its President with Japanese and Chinese representatives, and drafting a resolution took place. At the meeting of the Council on the 22nd, opened to the public, M. Briand submitted a draft resolution for deliberation. Of the draft resolution consisting of seven articles, the most important item was Article 4 which ran as follows:—

Paragraph 4. The Council—

(a) calls upon the Japanese Government to begin immediately and to proceed progressively with the withdrawal of its troops into the railway zone, so that the total withdrawal may be effected before the date fixed for the next meeting of the Council; (The date of the next meeting was provided in the resolution for November 16.)

(b) calls upon the Chinese Government, in execution of its general pledge to assume the responsibility for the safety of the lives and property of all Japanese subjects resident in Manchuria, to make such arrangements for taking over the territory thus evacuated as will ensure the safety of the lives and property of Japanese subjects there, and requests the Chinese Government to associate with the Chinese authorities designated for the above purpose representatives of other Powers in order that such representatives may follow the execution of the arrangements.

The draft resolution "to begin immediately and to proceed progressively with the withdrawal" of the Japanese troops into the Railway Zone so that their total withdrawal should be effected prior to November 16, it was materially impossible for the Japanese Government to accept, inasmuch as feeling was then running high in Japan, and the Chinese authorities were utterly powerless to prevent disorder in the areas under their control. The Japanese Government repeatedly intimated to the Council that it had endeavoured from the outset not to aggravate the situation and to withdraw the troops as soon as assur-

ances were effectively given and received of the safety of the lives and property\* of the Japanese. When the draft resolution was submitted for approval of the Japanese and Chinese representatives, Mr. Yoshizawa again stated that Japan could only withdraw her troops according to the progress made in protection of her nationals, but could not accept "fixing a definite date for the complete withdrawal of troops." On the 23rd, Japan submitted to the Council a counter proposal to the draft resolution. It contained eight formulae; the first three being adopted from those of the Council's, but the 4th, 5th and 6th were modified as follow:—

Paragraph 4 again notes the statement by the representative of Japan made on October 13th to the effect that the Japanese Government would withdraw those of its troops still remaining in a few localities outside the said zone as the present atmosphere of tension clears and the situation improves, by the achievement of a previous understanding between the Chinese and Japanese Governments as regards the fundamental principles governing normal relations—that is to say, affording an assurance for the safety of the lives of Japanese nationals and for the protection of their property;

Paragraph 5 recommends that the Chinese and Japanese Governments confer together at once with a view to arriving at the understanding mentioned in paragraph 4;

Paragraph 6 recommends that the Chinese and Japanese Governments appoint representatives to arrange the details of execution of the evacuation and of taking over the districts evacuated.

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\* Japan's reply of October 12 to the League of Nations' non-aggravation reminder of October 9, and Mr. Yoshizawa's statement of October 18.

judged merely from the standpoint of ideals, but must also be regarded from that of facts. The Japanese counter-resolution was the first to be voted upon, and Japan was the only country supporting it. The Council's resolution was then put to the vote, and Japan was the only country voting against it. Thus neither side obtaining the required unanimous vote, the Council of the League adjourned *sine die* on the Sino-Japanese incident.

Two days later, October 26, the Japanese Government issued a second statement on the Manchurian Incident, in which was set forth its Manchurian policy including the "fundamental principles" about which Lord Robert Cecil had repeatedly inquired. The so-called fundamental principles are: (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.

#### 42 Council's Third Session (November 16-December 10)

Faithful to Japan's declared policy to withdraw her troops from beyond the Railway Zone, the Japanese Army attempted to remove their presence as far as possible. But fresh disturbances broke out one after another. Especially in the middle of November, the Japanese troops, in order to protect a railway in which Japan was financially interested (Taonan-Angangchi), had to advance north to Tsitsihar across the Chinese Eastern Railway. This movement was the result of the destruction of the railway bridge over the Nonni River (October 15) by forces of General Ma Chan-shan, provisional Governor of Amur Province. His troops not only interfered with the repair of the bridge, but fired on the Japanese soldiers escorting the bridge-repairing party, which finally resulted (November 4) in an engagement in the Nonni area between Ma's troops, 4,000 strong, and a Japanese force of 700. This was followed by a more important and decisive action at Angangchi between the forces of General Ma, 14,000 strong, and a Japanese force of 3,000.

During this engagement, the President of the League Council (November 6) sent cable messages both to the Chinese and Japanese Governments, reminding them of their pledges not to take steps likely to aggravate the situation in Manchuria. The message also urged the two Governments, without delay, to instruct their respective commanders to avoid further armed conflict, which would but complicate still further and make more difficult the labour of the League for the maintenance of peace and delay final solution. In reply, Baron Shidehara, Minister of Foreign Affairs, stated that the incident was the result of the action of troops of Amur Province, stationed on the northern bank of the Nonni River, in disregard of the understanding reached

previously by both sides; they having fired on the Japanese soldiers, few in number, who were there to guard the bridge-repairing party, and that the Japanese military authority had already instructed the Commander-in-Chief on the 6th not to take further military action. The reply added that the Japanese troops thus refraining from warlike action, it would not aggravate the situation so long as the Chinese troops refrained from any military action.

On November 16, the League Council again met on the Manchurian issue, but this time at Paris, and the American observer was not present. M. Briand, after reviewing the Council's draft resolutions which had failed to obtain a unanimous vote on October 24, touched on the views he had exchanged with the Japanese representative relating to the Japanese "basic principles." In conclusion, he stated that he had found evidence of a desire on the part of China and Japan "to co-operate loyally with the Council in settlement of the dispute," and reminded the members of the Council that the Council would continue "its efforts to devise a solution in the spirit of objectivity and impartiality" without concerning itself with hasty judgment or tendentious commentaries.

Although this meeting was opened to the public, discussions were not invited, as it seemed that the Council might be expected to carry out its undertaking more effectively in private meetings of the members "to consider the situation among themselves and to confer together freely as to the best procedure to be adopted."

At the meeting held on November 21, M. Briand declared that the resolution unanimously adopted on September 30 retained "its full executive force." The Council's duty in the present session, he continued, was to seek, in concert with the Chinese and Japanese parties, "suitable means of enabling them to carry out these undertakings as quickly as possible." Before he asked the Japanese and Chinese representatives, he appealed to them "to confine themselves as far as possible to outlining suggestions to place before the Council with a view to putting an end to the present situation in Manchuria."

The Japanese representative, after declaring that his Government entirely accepted the resolution of September "in the spirit and the letter," reiterated that the origin of the present untoward events in Manchuria not only dated merely from September 18, but was rooted in a long series of vexatious acts on the part of China, acts of hostility and provocation, and of denying justice, which were fostered by the openly declared policy of the Chinese Nationalist Party — rejecting the most solemn undertaking by a unilateral repudiation of the treaties, disregarding in practice the clauses of the treaties and encouraging anti-foreign boycott campaigns; and "the Japanese people has been forced to realize that China is seeking in every way to take from the Japanese nation its legally acquired rights and to deprive the Japanese and Koreans residing in Manchuria of the legitimate fruits of their industry. It is

easily understood that the entire Japanese nation regards these rights and interests in Manchuria which are now at stake as of vital importance." The scene of the incidents being remote, and the situation being complicated, he said, his Government "considers that the essential condition of fundamental solution of the question is a real knowledge of the situation as a whole, both in Manchuria and in China itself," and for this reason proposed that "the League of Nations should send a Commission of Enquiry to the spot," providing such Commission "would not intervene in the negotiations which may be initiated between the two parties, or to supervise the movements of the military forces of either party."

The Chinese representative, being rather indifferent as in the session of October, stated:

"My Government cannot bargain for withdrawal, or consent that withdrawal be dependent upon any other matter than the arrangement of details for securing the safety of life and property in the evacuated area." He reaffirmed that China was prepared to assume full responsibility for the maintenance of security of the Japanese in the evacuated area and that any reasonable arrangement involving neutral co-operation under the auspices of the League would be accepted.

After the British representative, Lord Robert Cecil, had expressed the desirability of considering the Japanese proposal to appoint a commission, which would, it was hoped, ultimately obtain "authoritative information regarding the actual situation," most of the representatives of other Powers stated they would support the proposal to create a Commission of Enquiry. The Chinese representative did not raise objection to the proposal, but stated that his Government would not agree for a moment that the creation of such a Commission should furnish "an excuse for delay" in "the complete withdrawal of the Japanese troops within the shortest possible time." M. Briand finally announced "the Council has now a proposal before it."

After the proposal of creating a Commission of Enquiry was considered at private meetings of the Council, and after a draft resolution including the proposition was completed, the President at a Council meeting open to the public on December 9, read the following draft resolution consisting of six paragraphs:

"The Council,

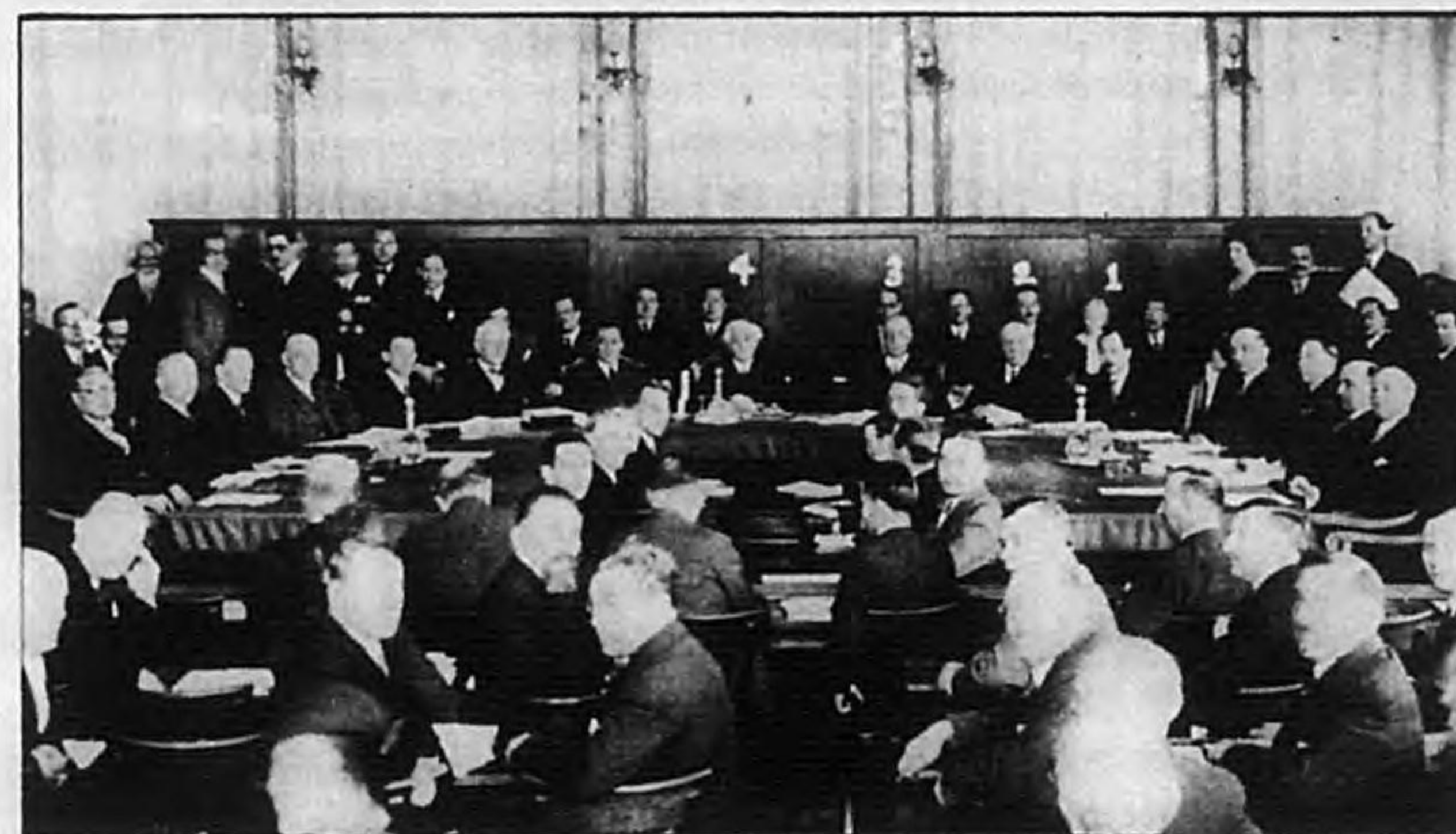
"(1) Reaffirms the resolution passed unanimously by it on September 30th, 1931, by which the two parties declare that they are solemnly bound; it therefore calls upon the Chinese and Japanese Governments to take all steps necessary to assure its execution, so that the withdrawal of the Japanese troops 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;

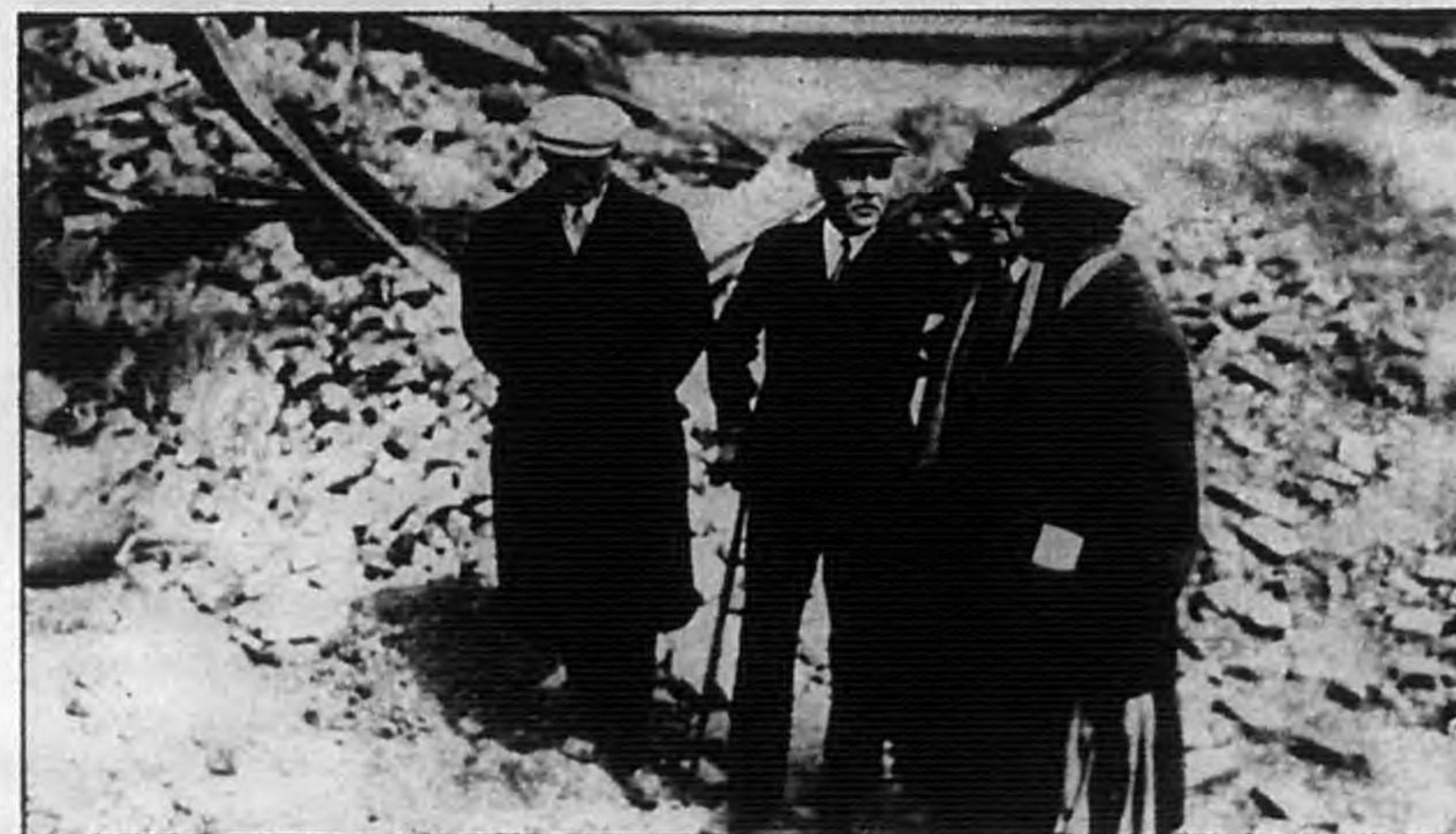
"Notes that the two parties undertake to adopt all measures necessary



Council's Meeting on the Manchurian Incident, December, 1931



Council's Meeting, January, 1932



League's Commissioners of Enquiry at Spot

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) Invites the two parties to continue to keep the Council informed as to the development of the situation;

"(4) Invites 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 one assessor to assist 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, these would not fall within the scope of the terms of reference of the Commission, nor would it be within the competence of the Commission to interfere 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 30th as regards the withdrawal of the Japanese troops within the railway zone.

"(6) Between now and its next ordinary session, which will be held on January 25, 1932, the Council, which retains charge of the matter, invites its President to follow the question and to summon it afresh if necessary."

The Japanese representative proposed another meeting on this question on the morrow at noon, as instructions he had asked of his Government had not yet reached him. At the meeting held on December 10, the Japanese representative declared that his Government had accepted the resolution on the understanding that Paragraph 2 would not prevent the Japanese military authorities from taking action in defence of lives and property of Japanese nationals against bandits and other lawless elements rampant in various parts of Manchuria. The Chinese representative also accepted the resolution, but with several reservations.

Thus the resolution being unanimously adopted on December 10, including the votes of Japan and China, a neutral Commission was created to investigate the real condition in Manchuria. The Council, modifying its former policy of fixing an exact date for the withdrawal of the Japanese troops to within the Railway Zone, more clearly recognized the peculiar conditions in Manchuria by giving latitude to the troops so long as peace and order remained insecure.

## 43 League's Fourth Session (January 29-March 11, 1932)

The actual condition of the disturbance in Manchuria was becoming worse than was realised by the League of Nations and the United States. In the early part of November, especially when General Ma Chan-shan's troops engaged in military action against the Japanese troops at Angangchi, a sudden increase in bandit activities was observed in the vicinity of the South Manchuria Railway, west of Liao River. Their depredations, it was proved, were being carried out through systematic intrigues of the Chinchow military authorities. The bandit forces, including a large number of fugitive officers and men of the North-Eastern Army, which was gaining strength and was estimated at over 30,000 in the early part of December, were threatening a few detached Japanese contingents, and Japanese and other peaceable inhabitants. Soon after the Chinese Minister of Foreign Affairs made, on November 24, an intimation to the Foreign Ministers of the principal Powers at Nanking 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, the Japanese representatives at Nanking and Peking prepared to open negotiations. Marshal Chang Hsueh-liang expressed, on December 7, his willingness to call in his Chinchow forces as a spontaneous move of withdrawal. In fact, however, there was no sign of any such withdrawal. On the contrary, by the middle of December, hostile preparations were being steadily carried on by the concentration of an army 35,000 strong, with a regiment of artillery east of Chinchow. Besides, the territory along the South Manchuria Railway was infested by some 30,000 irregulars and bandits under the control of the Chinchow military authorities, as stated above. Confronted with such a threatening and dangerous situation, the Japanese forces, though they refrained from extending the scope of Manchurian activities in deference to the resolutions of the League Council adopted on September 30 and December 10, were compelled in self-defence to undertake effective military action. Chinchow was finally abandoned by the Chinese, and was occupied by the Japanese on January 5, 1932.

Soon after the Chinchow incident, the United States Secretary of State addressed both the Governments of Japan and China in a Note dated January 7. The Note reminded the recipients that "with the recent military operations about Chinchow, the last remaining administrative authority" of China in South Manchuria had been destroyed; "the United States can not admit the legality of any situation *de facto*, nor does it intend to recognize any treaty or agreement" entered into between the Japanese and Chinese Governments, or their agents, "which may impair the treaty rights of the United States or its citizens in China," or which might violate the Nine-Power Treaty, the Kellogg

Anti-War Pact, or the established international policy of the Open Door relative to China.

In reply to the American Note, the Japanese Note forwarded on January 16 clearly stated that "any replacement that occurred in the personnel of the administration of Manchuria" referring to the military operations about Chinchow "has been the necessary act of the local population," who are not destitute of "the power of self-determination." Regarding the Open Door policy, the Note emphasized that the Japanese Government would always maintain the policy "in Manchuria, as in China proper." About the Anti-War Pact, although "it might be the subject of an academic doubt," as Japan has "no intention of adopting improper means, that question does not practically arise." Further, with respect to the Nine-Power Treaty, the Note stated that its application should not be made without due regard to the changing state of affairs in China, and inasmuch as the present unsettled and distracted state of China was not what was in the mind of the treaty signatories "at the time of the treaty of Washington," it appears to be necessary to modify its application to suit "the state of facts as they exist."

In January 1932, another untoward incident occurred in Shanghai. The anti-Japanese movement in China proper becoming more violent since the summer of 1931, the Japanese Government lost no opportunity to urge upon the Chinese authorities the suppression of such harmful movements. China, however, failed to respond, and disorders continued with ever-increasing intensity. Particularly in Shanghai, the agitation was carried on more persistently and lawlessly. Of all offences, an insult to the Japanese Imperial House, such as that the *Minkou Jihpao*, a vernacular paper of Shanghai, published on January 9, being an article highly abusive of the Japanese sovereign, was by on means excusable in the eyes of the Japanese nation. On the 18th of the same month, a Japanese Buddhist priest and his companions were attacked by a Chinese mob shouting, "Down with the Japanese!" The priest died, and his companions were wounded. These incidents finally inflamed Japanese residents in Shanghai, whose patience, long enduring at the ceaseless anti-Japanese movement, was at last exhausted. The situation in Shanghai thus came to present a grave aspect. The Japanese Consul-General, under instruction of the Home Government, lodged strong protests with the Mayor of Shanghai regarding the above-mentioned two incidents and made demands for settlement. At the outset, the Mayor with much demur complied with the Japanese demands relating to the insult to the Imperial House, while other demands were in course of negotiation. Subsequently, the 19th Route Army of China, then concentrated in the vicinity of Shanghai, having "assumed a disquieting attitude and making a display of warlike preparations," the Shanghai Municipal Council decided to take precaution against the possibility of disturbance being created within the International Settlement by undisciplined Chinese



soldiers, or by mobs and radical elements, and declared on the 28th a state of seige. Acting on the decision, the garrisons of the Powers were assigned to duty at their respective sectors for the common defence. It was when a force of Japanese marines were "proceeding to take up their posts in the Chapei district, their allotted sector, that the Chinese opened fire upon the Japanese forces and compelled them to take measures of defence." This was the beginning of hostilities arising out of the strained situation, which is known as the Shanghai Incident.

Turning to the League Council, the Chinese Government, as soon as the outbreak occurred, proposed, on January 29, that the Council apply Articles 10 and 15 of the League Covenant to the Sino-Japanese conflict, without derogating "the measures taken, or which may be taken by the League in the exercise of its functions and Article 11." The Chinese representative, Mr. Yen Hui-ching, Minister to the United States, in explaining the proposal to the League Council, stated:

"As the victim of persistent external aggression in one of its most violent forms, China can no longer refrain from seeking remedies under other provisions in addition to those of Article 11." In response, the Japanese representative, the Ambassador to Belgium, Mr. Sato said that "since the month of September the Council has examined the question under Article 11, and by its resolution of December 10 it agreed to appoint a Commission of Enquiry which is to set out soon." Therefore "it would be best for the Council to continue the examination of the problem under Article 11 of the Covenant, as it has done up to the present."

At the meeting of the following day, the question of applying Article 15 to the Sino-Japanese conflict was much discussed, when the Japanese representative more clearly expressed his objections to the application of the Article to the questions which the Council had already been examining under Article 11. The Secretary-General proposed that the Governments represented on the Council other than parties to the dispute, which had official representatives at Shanghai, should instruct such officers to form a Committee which would send to him a report on the Shanghai Incident. When the Chinese representative expressed his satisfaction that the "Secretary-General is beginning to take vigorous steps in settlement of the Manchurian question by proposing to appoint a commission that will deal with the Sino-Japanese collision at Shanghai," the Secretary-General, pointing out the Chinese representative's misapprehension, said that the duties of the Secretary-General, if the Chinese representative looked at Article 15, it would be seen, "are confined to making the necessary arrangements for a full investigation" (as provided in paragraph 1 of Article 15); and added that "it is duty of the Council under paragraph 3 of Article 15" to endeavour "to effect a settlement of the dispute." The Secretary-General's proposal being supported by most of the representatives other than representatives of the contending parties, the President, M. Paul Boncour,

declared that for the moment all that was necessary was to apply the first paragraph of Article 15, by which the Secretary-General was bound to secure information for the Council immediately.

Inasmuch as a state of actual warfare existed at Shanghai and vicinity, the Council held several meetings during February (on the 2nd, 9th, 19th and 29th), in which discussions were concentrated on the Shanghai Incident. Shanghai being the principal centre of international trade in China, the outbreak of hostilities created a sensation among the western Powers, which were anxious to see a speedy ending of the operations. On February 16, the twelve members of the Council (excluding the representatives of China and Japan) issued a Note of appeal to Japan, which was handed to the Japanese representative by President Boncour. In order to restore a speedy and "effective peace" at Shanghai, Lieutenant-General Uyeda, of the Japanese Army, on February 28, sent a warning note to the Commander of the 19th Route Army, requesting the "immediate cessation of belligerent acts" and "complete evacuation" to areas 20 kilometres\* from the International Settlement line. As the ultimatum was received in silence on the part of the Chinese, hostilities continued until the Chinese forces withdrew to positions 20 kilometres from the International Settlement on March 3.

At the Council's meeting on February 29, when Sir John Simon, the British Foreign Minister, was present, he stated that, according to a report received from his Government, an informal meeting took place between the commanders and other representatives of the Japanese and Chinese forces—General Gaston Wang and Dr. Wellington Koo, on the Chinese side, and representing the Japanese, Admiral Nomura and Mr. Y. Matsuoka, amongst others—"with a view to considering whether it was not possible to arrange for a cessation of hostilities." President Boncour said the news received from the British representative was welcomed by the Council, and proposed a Conference to be immediately set up in Shanghai composed of representatives of the Chinese and Japanese Governments, together with representatives of other Powers having special interests at Shanghai. The proposal was unanimously supported.

As the Council at its meeting of February 19 adopted a resolution referring the Sino-Japanese dispute to a special session of the League Assembly in accordance with paragraph 9 of Article 15 of the League Covenant, after considering the request submitted by the Chinese representative, a special session of the Assembly presided over by M. Paul Hymans, Belgian Foreign Minister, was opened on March 3 in the City Hall of Geneva composed of representatives of fifty nations, who were already at Geneva to attend the Disarmament Conference. As Japan declined to permit the application of Article 15 of the Covenant to the Sino-Japanese dispute so long as the dispute was being examined under

\* Distance beyond the range of the Chinese guns.

might be brought about by means contrary to the Covenant of the League or the Pact of Paris.

2. Recalling the resolutions passed by the Council on September 30 and on December 10, 1931, and adopting its own resolution of March 4, 1932, the Assembly requested the Powers having special interests in the Shanghai Settlements, "to co-operate, if necessary, in maintaining order in the evacuated zone."

3. The Assembly decided to set up a Committee of 19 members, consisting of the president of the Assembly, the twelve members of the Council other than the parties to the dispute, and six additional members representing the members of the League not represented on the Council, to be elected by the Assembly by secret ballot. This Committee was to see to the execution of the resolution of the Assembly of March 4, 1932, and that of the Council of September 30 and December 10, 1931, and to endeavour to effect a settlement of the Sino-Japanese dispute, and to report to the Assembly not later than May 1.

Regarding the action of the Assembly under the provisions of Article 15, taken on the initiative of China, Japan, though anxious for a settlement and adopting a most conciliatory attitude was compelled to differ and to maintain an attitude at variance with that of the Assembly. Japan held that while the Shanghai incident was "merely a local affair which was not likely to lead to a rupture," the Manchurian incident was already being investigated by the League Council under Article 11 of the Covenant, and furthermore the Commission of Enquiry had already left for China for the purpose of investigating on the spot the actual conditions prevailing; there was, consequently, "no legitimate ground for applying Article 15 to either of these cases." It was with an unequivocal reservation based on that view that the Japanese Government participated in the deliberations of the Council and Assembly. When the Assembly, however, passed, March 11, the resolution which was in more than one respect unacceptable to Japan, Mr. Sato, the Japanese representative, under the instruction of his Government, lodged a protest embodying Japan's contention regarding the application of Article 15 of the Covenant, and abstained from voting. The Assembly, meeting again in special session on April 30, unanimously adopted the resolution of the Committee of 19 regarding the negotiation for the cessation of hostilities at Shanghai. Japan again abstained from voting. The Sino-Japanese Agreement ending hostilities at Shanghai, nevertheless, was finally signed on May 5.

#### 44 The League Commission of Enquiry

As provided in Paragraph 3 of the Resolution passed at the session of the League Council on December 10, 1931, the League appointed a Commission of Enquiry consisting of five members from among those recommended by France, Germany, Great Britain, Italy and the United States. The Commissioners were to investigate conditions on the spot,

not only in Manchuria but in China proper. The personnel of the Commission ultimately selected were General Henri Claudel, representing France; Lord Lytton, Great Britain; Doctor Heinrich Schnee, Germany; Count Luigi Aldrovandi Marescotti, Italy; and General Frank McCoy, the United States of America. Lord Lytton was elected Chairman by the Commission. Their functions were, as provided in Paragraph 5, "to study on the spot" not only in Manchuria but in China itself and "to report to the Council on any circumstances which affect international relations and destroy peace between China and Japan." But it would not be "within the Commission's competence to interfere with the military arrangements of either party." With regard to assessors to afford "the Commission all facilities to obtain on the spot whatever information it may require," the Japanese Government appointed Mr. Isaburo Yoshida (Japanese Ambassador to Turkey), and the Chinese Government Dr. Ku Wei-chun, popularly called Wellington Koo, (Minister of Foreign Affairs of the Nanking Government, October-December, 1931). In order to cover the expenses of the Commission, the Council authorized a grant out of the League's funds of 500,000 francs, which sum is to be refunded in equal parts by the Chinese and Japanese Governments. The European Commissioners left Europe on February 3, 1932, for America, where the American Commissioner, General McCoy joined them. The Commission of Enquiry reached Japan on February 29, where they spent ten days, and left on March 11 for China. After visiting Shanghai, Nanking, and Peking, the Commission finally arrived at Mukden on April 21, and on April 30 submitted a preliminary report to the League Council.\*

#### 45 Founding the New "Manchuria State"

Following the incident of September 18, 1931, Marshal Chang Hsueh-liang's militaristic government system in Manchuria collapsed, and the inhabitants were practically deserted by their military administrators. Subsequently, the people, longing for emancipation from the autocracy of military rulers and for long-desired autonomy, established self-government associations to preserve peace and order in the principal towns. Provinces and districts in course of time established provisional governments and declared their independence. The leaders of these provisional governments, including the Mayor of the Mukden Municipality, held a convention at Mukden lasting three days, February 16-18, 1932, with a view to establishing a new state. It was resolved on the last day of the convention: (1) to establish a new state comprising the several provinces and special districts in Manchuria and Mongolia; (2) to institute the "North-Eastern Executive Committee," which was to be authorized to discuss and formulate basic principles of the new state and organize its government. The North-

\* See Appendix.

Eastern Executive Committee, which was created in accordance with the resolution, proceeded to organize a new state, and on March 1, exactly the day and month on which the old Manchu Dynasty was established at Peking in 1644, a declaration was made establishing a new State embracing the several Provinces and Special Districts in Manchuria and a part of Mongolia, independent of the Republic of China, which was named "Manchukuo (滿洲國)"—"Manchuria State."

The declaration gave reasons for creating the independent State, the aims of its Government, and its foreign, as well as commercial policies. In substance these were as follow:

1. Pressed by the trend of the times, the Manchuria State is founded in obedience to the aspirations of thirty million people, who have for years been trampled under the autocratic rule of self-seeking militarists, who wish to be governed on the principle of racial self-determination, and to live independent of the Republic of China.

2. The fundamental aim of the Government is to guarantee the life and property of the people; to administer justice with improved laws; to advance the self-government principle; and to encourage industries by reforming a chaotic currency system.

3. The foreign policy of the State will be based on mutual sincerity and friendship with other states by observing international usages. All obligations for foreign loans secured by treaty agreement previously concluded by the Republic of China, if such obligations belong to the territory of the new State, shall be recognized in conformity with international usage.

4. The State will develop commerce and industry and be ready to welcome foreign investment, regardless of nationality, in pursuance of the principle of the Open Door and Equal Opportunity.

5. The principle of racial equality shall be adhered to, and Chinese, Manchurian and Mongolian natives, Korean and Japanese inhabitants, and residents of other nationalities in the Manchuria State shall be accorded equal treatment.

His Excellency Pu-yi (Hsuan Tung), the deposed Emperor of the late Manchu Dynasty was sworn in as Executive Head (執政) of the newly-born Manchuria State, concurrently with the ceremonial inauguration of the new Government held on March 9 in the city of Changchun, now renamed "Hsin-King (新京)," or "New Capital."

The Executive Head, at the inauguration ceremony, delivered a brief but solemn address, saying:

"Humanity should uphold morality. But there are different races in the world, and if self-advancement is attempted by oppressing others, morality will be lost. All mankind should observe humanity and justice. But there are international conflicts. To harm others and to profit oneself is against humanity and justice. In establishing this State, morality, humanity, and justice are adopted as the basic principles. When racial differences and international conflicts are removed, we will be able to establish a paradise of justice. All the people should devote their efforts to the realization of this ideal."

Simultaneously with acceptance of the office of Executive Head by

His Excellency Pu-yi, the Organic Law of the central Government, the Law guaranteeing the Rights of the People and other regulations were promulgated. These laws and regulations are contemplated as the basis of the provisional constitution pending the enactment of the formal constitution.

The Government Organic Law, consisting of 38 articles, designates the respective functions of Executive Head, Executive Council, Legislative Yuan, Administrative Yuan, Judicial Courts, and Audit Yuan controlling the state accounts. The Executive Head, assuming the entire administration of the Manchuria State, executive, legislative and judicial, must be nominated by the people, to whom only he is responsible. But he exercises the legislative power with the consent of the Legislative body and judicial power by the Law Courts in conformity with the provisions of the law. Regarding the rights and liberties of the people, Laws guaranteeing Rights provide:

"The Executive Head administering the Republic of Manchuria in trust for the people hereby shall pledge himself to the entire people that the liberties and rights of the people shall be guaranteed..... except in case of war and other emergency."

Thus the new Manchuria State, founded by the people, with a systematic Government organization, came into independent being.

The Government of Manchuria State, through its Minister for Foreign Affairs, Mr. Hsieh Chieh-shih, sent out on the 14th of March a Note to seventeen countries, including France, Great Britain, Germany, Italy, Japan, Soviet Russia and the United States, inviting recognition of the new State. The Note stated that, contrary to the maladministration of the former "military authorities headed by Chang Hsueh-liang," the Government of new Manchuria "proposes to perfect the institution of laws and establish security for the life of the people." Regarding foreign policy, the Note emphasized that the Government should conduct foreign affairs "according to principles of faith and confidence and in a spirit of harmony and friendship," and pledged the State "to promote international peace," and respect "international justice in accordance with international law." As to the succession of treaty obligations, it stated that the Government should faithfully discharge treaty obligations due to the Chinese Republic in the light of international laws and treaties, and respect "the acquired rights of the people of foreign countries within the limits of the State of Manchuria." The note professed faithful adherence to the Open Door policy. "It is the earnest desire of this Government," the Note concluded, "that the respective Governments fully appreciate the purport of the establishment of the State of Manchuria, and enter into formal diplomatic relations with the new Government."

Soon after the issue of the proclamation creating the State of Manchuria, the Chinese Minister at Tokyo made repeated representations

protesting that the independence of Manchuria was brought about with Japanese assistance, Japan being held responsible for the development of the new situation. In reply, Mr. Yoshizawa, Minister of State for Foreign Affairs, asserted that the creation of the new State was entirely the result of an independent movement of the people in Manchuria, an expression of self-determination. Japan's action in Manchuria was imperative for the protection of her railway interests and the life and property of her nationals. Japan had given no assistance whatever to the people of Manchuria, beyond expressing sympathy. If the integrity of Chinese territory was impaired by the founding of the new Manchuria State, it was impaired by the choice of the people in that region. It was impossible for any other Power "to slay the slain."

The recognition of this new state by Japan or other Powers must depend on how far it is capable of maintaining peace and order and of fulfilling international obligations. Some Powers may hesitate or delay such recognition for political reasons. However, should their nationals desire to commence or continue their trade in and with Manchuria it would be much better for their Governments to recognize the new state. Business necessity must often modify political sentiment.



His Excellency Pu-Yi, the Executive Head



Executive Hall



Proclamation of Independence

## IV COMMUNICATIONS

### 46 General

As stated in the previous Report, there was a marked development in the system of communications in Manchuria after the Russo-Japanese war, principally due to foreign capital and skill. Japan has invested an enormous amount of capital in the railways. Prior to the war, the means of communication or transportation were inadequate or, rather, negligible and primitive.

Although the Russians commenced the building of the Chinese Eastern Railway in 1897, complete operation was not started until 1903, one year before the war, and that principally for military purposes. Land traffic, as of old, mainly depended on the stout Manchurian pony, the ox-cart, a one-wheel vehicle utilizing the sail, and on camel traffic. River traffic was confined entirely to the native junk. The modern postal service in China was initiated by the Imperial Maritime Customs in 1878, but it was for many years limited to the treaty ports and connections between. There was no such system serving the general public in Manchuria until 1896, except the ancient courier service transmitting official despatches. The postal service of the Japanese Army during the Russo-Japanese war was extended to the general public while South Manchuria was still under military occupation. As to the telegraph, the Tientsin-Tangku line was extended to Shanhai-kwan, Newchwang and Port Arthur in Manchuria, in 1884, the year of the Franco-Chinese complication. In 1899, the Peking-Tientsin line was extended to Mukden and Kirin, and thence to Maohsingchan, Tsitsihar and Aigun, by the authorities of Mukden and Kirin Provinces. It was the Russians who constructed the first extensive telegraphic line in Manchuria, along the Chinese Eastern Railway. This line, connecting with the Siberian line and Vladivostok and Nagasaki, was operated by the Danish corporation, the Great Northern Telegraph Company, and constituted a part of the overland system connecting Europe and Asia. The Danish corporation, in 1897, also made an arrangement with China to establish land telegraph communication with Europe by a connecting line across Mongolia from Kiakhta to Peking. During the Russo-Japanese war, the Japanese Army constructed an extensive telegraphic line in South Manchuria, then under military occupation. After the war, Japan, in 1908, handed over "all Japanese telegraph lines in Manchuria outside the Railway Zone," in consideration of the payment of 50,000 yen. Russia subsequently made a similar arrangement with China, receiving reimbursement of 120,000 Mex. dollars, but retained the telegraph line in the C. E. Railway Zone.

The system of communications — railway, post, telegraph — in Man-

churia was initiated and improved partly by foreign service and capital, especially after the Russo-Japanese war. By the new movement towards national control, communications in China generally were expected to be much improved. A decree issued on December 16, 1929, by the Nanking Government, entrusted the control of administration relating to railways and telegraphs in Manchuria to the Four Eastern Provinces Communications Commission. The activities of this Commission under the authority of Marshal Chang Hsueh-liang frequently provoked conditions inimical to the railway interests of Japan and Russia.

Postal, telegraphic, and telephone services in the Japanese Railway Zone and the Leased Territory will be treated in the next chapter.

#### 47 Railways

The development of the railway in Manchuria during the past quarter-century has proved the most significant factor in the growth of these regions. While only about 5,200 miles of line have been built in the vast territory of China proper since 1877, more than 3,800 miles have been laid down in Manchuria since 1897.

Of these 3,800 miles in operation in Manchuria, as they existed at the end of 1931, China owned over 1,900 miles, Japan about 700 miles, Russia (in joint management with China) 1,096 miles, while Sino-Japanese joint undertakings aggregated about 140 miles. Although the Chinese railways aggregate a greater mileage than the Japanese or Russian lines, most of them were financed by foreign, especially Japanese, capital. Of the 1,900 miles of Chinese railway, 612 miles were built with Japanese capital, and 388 miles in the Manchurian section of the Peking-Mukden Railway with its branches, partly with British capital. Railways built by Chinese with Chinese capital cover more than 800 miles, and are eight in number, the most important being: Tahushan-Paiyintala, 156 miles; Mukden-Hailungcheng, 202 miles; Hailungcheng-Kirin, 114 miles; Hulan (on the Sungari opposite Harbin)-Hailun, 137 miles; Tsitsihar-Koshanchen, 99 miles; and Taoan-Solun, 111 miles. Besides these, there are three railways built as Sino-Japanese joint undertakings, two of which are light railways. The table on the following page shows existing railways in Manchuria in greater detail:

Name of Railway	Length in Miles	Gauge	Remarks
Chinese Eastern, and Branches.	1,069 <sup>98</sup>	5'	Sino-Russian management, with Russian and French capital.
South Manchuria, and Branches.	689 <sup>91</sup>	4'8½"	Japanese undertaking.
Manchurian section of Peking-Mukden Railway, and Branches in Manchuria .....	388 <sup>93</sup>	do.	Chinese Government line, partly with British capital.
Ssuningkai-Taonan, with branch line to Paiyintala .....	264 <sup>70</sup>	do.	Chinese Government line, with Japanese capital.
Taonan-Angangchi .....	139 <sup>31</sup>	do.	do.
Kirin-Changchun .....	79 <sup>36</sup>	do.	Chinese Government line, with Japanese capital, under Japanese management.
Kirin-Tunhua .....	130 <sup>74</sup>	do.	Chinese Government line, with Japanese capital.
Mukden-Hailungcheng, and Branches .....	202 <sup>38</sup>	do.	Chinese semi-Government line (Mukden Province).
Hailungcheng-Kirin .....	113 <sup>96</sup>	do.	Chinese semi-Government line (Kirin Province).
Tahushan-Paiyintala .....	156 <sup>99</sup>	do.	Chinese Government line.
Tsitsihar-Koshanchen, and Branches .....	99 <sup>98</sup>	do.	Chinese semi-Government line (Amur Province).
Hulan-Hailun .....	137 <sup>40</sup>	do.	Chinese semi-Government line (Amur Province).
Taoan-Solun .....	111 <sup>85</sup>	do.	Chinese Government line (Mukden Province).
Tsitsihar-Angangchi .....	15 <sup>97</sup>	1 metre	Chinese semi-Government line (Amur Province).
Shaohengtzu-Muling Colliery line .....	37 <sup>08</sup>	5'	Muling Colliery Co. (Sino-Russian management).
Kaiyuan-Hsifeng .....	39 <sup>68</sup>	1 metre	Chinese private enterprise.
Chinchow-Pitzuwo .....	63 <sup>44</sup>	4'8½"	Sino-Japanese undertaking.
Penhsihu-Nihsintai .....	9 <sup>32</sup>	2'6"	" undertaking.
Tumen-Tienpaoshan .....	68 <sup>97</sup>	do.	" undertaking.
Total miles .....	3,816 <sup>99</sup>		

In recent years, the Chinese themselves have been very active in railway construction in Manchuria. They were possibly stimulated to the building of railways at the time of the spectacular rebellion of General Kuo Sung-ling against Chang Tso-lin in December, 1925, when the General-Manager of the Chinese Eastern Railway (Mr. Ivanov), refused to transport Chang's troops without receiving advance payment of fares at half the regular rate, as provided in the Agreement of 1896. At the end of 1929 more than 800 miles of railway had been built by the Chinese. By the end of 1930 it had become clear that the Chinese authorities were developing a most extensive and at the same time most aggressive program of railway building, laying a network consisting of more than 30 separate lines converging on the new Hulutao Harbour with the object virtually of ruining the South Manchuria Railway and the Chinese Eastern Railway.

#### 48 Harbours

Before the Russo-Japanese war, there were no modern harbours in Manchuria. Newchwang, opened as early as 1861, remained for many

years the sole port in Manchuria capable of berthing steamers, but the position of the port handicapped its trade. Newchwang is situated several miles up the Liao River, where the fairway is too narrow to admit of navigation by large steamers, and, what is worse, it is ice-bound during four months in the year. In the port of Dairen, the Russians, though they initiated the construction of an improved harbour, left it unfinished at the time of their evacuation in 1904.

As the result of the war, Japan succeeded to the lease of the Kwantung peninsula from Russia, and opened Dairen in 1907 as a free port, like Vladivostok, but entrusted the harbour construction and administration to the South Manchuria Railway Company. In the same year, China opened the port of Antung at the mouth of the Yalu River. Dairen harbour, much favoured by nature, naturally deep, well sheltered, and free from ice all the year round, was further improved, the expenditure entailed in this continuous work amounting to 70,000,000 yen up to March 31, 1931. The harbour has a breakwater aggregating 13,137 feet, and four large piers providing a total length of berthing quays of 14,396 feet. A recent addition to the harbour equipment is the new Kanseshi coaling station, a pier exclusively provided for loading Fushun coal, which was completed in July, 1930. Further details of the facilities of the harbour and wharf of Dairen will be given in the chapter on the South Manchuria Railway. Indeed, the harbour of Dairen being the most important terminal of this railway, its main line traversing the heart of South Manchuria, has come to play the most significant part in the trade and shipping of Manchuria.

The following table shows shipping and trade for 1930 at the three Manchurian ports — Newchwang, Dairen and Antung:

Name of Port	Shipping		Values of Exports and Imports in Taels
	No. of Ships	Registered Tonnage	
Dairen .....	7,150	12,352,068	415,453,475
Newchwang .....	1,732	1,879,413	98,845,976
Antung .....	888	519,094	93,501,447
Total .....	9,770	14,750,575	607,800,898

#### 49 Vladivostok

It should be mentioned that the harbour of Vladivostok, the terminal of the Chinese Eastern Railway via the Ussuri Railway, receives annually from 1,500,000 to 3,000,000 tons of the produce of North Manchuria. The harbour became well known as an important naval station and seaport during the Czarist régime. After the European war, the Soviet Government endeavoured to make Vladivostok more of a commercial harbour. Although ice-bound for several months in winter, the harbour is fully utilized for shipping and trade throughout the year, navigation being made possible by the use of efficient ice-breaking steamers. Indeed, the Soviet Government, in order to facilitate the transportation

of goods imported to and exported from North Manchuria, issued in 1924 a decree that a certain area of land and water of the port of Vladivostok, sufficiently large and equipped for transit operations, should be provided. As the effect of this decree, the transit section, a sort of free-port section, known as Egersheld Wharf, together with all warehouses, open storage places, many railway sidings and other equipment, was established. All kinds of goods arriving at this transit section are exempted from Customs duties, excise and other levies. The whole work of transportation of Manchurian export and import through this transit port is entrusted to the Commercial Agent of the Ussuri Railway.

The products of North Manchuria are at present exported overseas through Vladivostok, the terminal of the Chinese Eastern Railway via the Ussuri Railway, or through Dairen, southern terminal of the South Manchuria Railway. The following table shows the respective volumes of export of products of North Manchuria through Dairen and Vladivostok:

#### EXPORTS FROM NORTH MANCHURIA

Year	Volume in Tons		Total	Percentage	
	Eastwards to Vladivostok via Pogranitchnaya	Southwards to Dairen via Changchun		Eastwards	Southwards
1923 .....	727,000	1,053,000	1,780,000	41%	39%
1924 .....	770,000	1,180,000	1,950,000	39	61
1925 .....	815,000	1,520,000	2,335,000	34	66
1926 .....	1,214,000	1,497,000	2,711,000	44	56
1927 .....	1,477,000	1,547,000	3,024,000	48	52
1928 .....	1,520,000	1,587,000	3,107,000	49	51
1929 .....	897,000	2,369,000	3,266,000	27	73
1930 .....	1,228,249	1,043,577	2,271,836	54	46

#### 50 Hulutao Harbour

Although the Chinese authorities for many years contemplated a new harbour at Hulutao, a port at the head of the P'ohai (Pechihli) gulf some fifty miles west of Newchwang, construction was not begun till June, 1930.

As stated in the previous Report, a contract for the construction of Hulutao harbour was concluded on January 24, 1930, with the Netherlands Harbour Works Company, by Mr. Kao Chi-i, Director of the Peking-Mukden Railway. The contractor, according to this agreement, was to be paid a total amount of 6,400,000 American gold dollars, furnished in monthly instalments of G. \$95,000, and payable from the receipts of the Peking-Mukden Railway. In the general plan of construction, the breakwater on the southern line was to be 4,100 feet long, and on the southwestern line 1,000 feet, making a total of 5,100 feet. Within the southern breakwater, three quays would have an aggregate length of

3,700 feet, and a berthing pier a total length of 900 feet. The mean depth at the quays was to be dredged to 35 feet. The formal beginning of construction took place in June, the work to be completed within about five years. The Dutch contractors in the summer of 1931, however, experienced a strike of the Chinese labourers and work could not be carried on as planned.

With the construction of Hulutao harbour, the converging point of many projected railways, some of them being parallel to the South Manchuria Railway and the premier line being sandwiched in between, the Chinese authorities, as was often reported, designed to outrival the port of Dairen and the South Manchuria Railway. Such a harbour, however, with limited facilities, could never supersede a port like Dairen possessing a harbour with most up-to-date facilities, having been constantly improved during the past quarter-century at heavy cost. Furthermore, while the tendency of ever-increasing Manchurian products, with a constant inflow of Chinese immigrants, would keep all the ports and railways in Manchuria busy enough under fair competition, unreasonable discrimination or rebates, such as the double import tariff imposed by the Chinese Customs on goods reimported at Dairen would undoubtedly in the long run have ruined the port of Dairen, had it been continued.

#### 51 Postal Service

The Chinese postal service was extended throughout the Empire in 1896, when the Bureau of Postal Administration was created. A Ministry of Posts and Communications was established in 1911, and the postal service conducted by the Imperial Maritime Customs was transferred to the new Ministry. But the old official courier system of I-chan and other private agencies remained until 1914, except in Inner Mongolia. The private courier guild system, though officially abolished in 1921, still survives in many districts. The Japanese postal service conducted outside the Railway Zone, such as the offices at Hsinmintun and Kirin, was incorporated in 1922 in the postal system of the Chinese Government as a result of the Washington Conference, and the foreign postal agencies maintained in treaty ports by Great Britain, France, Japan and the United States were abolished in conformity with the resolution of the Washington Conference. The Republic of China was divided into 24 postal districts, and in the Manchurian area two districts were created, i. e., Mukden and Kirin-Amur.

The following table\* shows the general condition of the postal service in Manchuria at the end of the 18th year of the Chinese Republic (1929):

\* The figures are taken from the China Year Book, 1931.

#### POST OFFICES AND AGENCIES

Postal Districts in Manchuria	Head, 1st, 2nd, and 3rd class and sub-offices	Postal Agencies	Town and Rural Box Offices and Sales Agencies	Mail Matter Posted Local only	Parcels Posted	Money Orders Issued	Amount of Deposits
Mukden .....	150	333	1,284	539,800	338,100	11,700,000	238,980
Kirin-Amur ...	141	293	463	1,560,800	408,000	9,367,700	47,914

#### 52 Telegraphs

After Japan and Russia had transferred their land telegraphs in Manchuria (except in the Railway Zones), the Ministry of Communications, in 1908, assumed control of all land lines owned by Chinese private companies and the provincial governments. In 1913, the Chinese Republic was divided into 13 telegraphic districts, Manchuria being within the Mukden and Kirin-Amur Districts. In order to improve telegraphs and telephones in China, the Great Northern (chiefly Danish) and Eastern Extension (chiefly English) Companies advanced to the Chinese Telegraph Administration the sum of £ 500,000 by an agreement made in April, 1911.

During the European war, when Russia withdrew from the Allies and combined with Germany by the treaty of Brest-Litovsk, there was great anxiety that the combined force of the Bolsheviks and the German prisoners in Russia might penetrate eastwards, via the Siberian Railway and the Chinese Eastern Railway, to Vladivostok. China and Japan were especially concerned over the question of frontier defence. "The Government of the Republic of China, in order to provide funds for the improvement and extension of telegraph lines," borrowed 20,000,000 gold yen by an agreement signed on April 30, 1918, by the Ministers of Communications and Finance on the Chinese side, and the Exchange Bank of China, representing the syndicate of the three Japanese chartered banks. When the agreement for the loan was signed, the Chinese Finance Minister, Mr. Tsao Ju-lin, issued an explanatory statement, which opened as follows:

Communications relating to the Chinese frontier in Mongolia and Manchuria are of great importance to China. Except the telegraph lines in the eastern and middle parts of China, most of the telegraphic lines, aggregating several thousand miles, especially in Mongolia and Chinese Turkestan, are in a state of decay on account of utter neglect due to the lack of funds in the national treasury. Especially at such a time, when China is preparing for participation in warfare and confronted with a grave situation vis-a-vis Russia, the extension of telegraphic lines on the frontiers and the repair of existing lines in China proper, are of vital importance.

This telegraphic construction, aggregating more than 22,500 Chinese miles (li), with repair work aggregating several thousand miles chiefly in Manchuria and Mongolia was to be carried out in three consecutive stages. In addition, by an agreement dated February 10, 1920, between



the Chinese Ministry of Communications and the Toa Kogyo Kaisha, of Japan, an advance of 15,000,000 gold yen was made for the purchase of wire and other materials for the improvement of the telegraphs, as well as for expenses for engineering and shipping purposes. Whether the enormous amount of money derived from these two Japanese loans was properly spent or not is a matter that entirely concerns the Chinese Government.

In Manchuria there is a total length\* of Chinese-owned land lines aggregating 24,753 li, about 9,900 miles (Chinese li, about  $\frac{2}{3}$  mile), the details being set out below:

Name of Province	Number of Telegraph Offices			Actual Distance of Line Routes in Li			Length of Overland Wires in Li
	Wire	Wireless	Total	Overland	River Cables	Total	
Liaoning (Mukden)...	61	4	65	8,525.00	1.61	8,526.61	11,935.00
Kirin .....	46	8	54	7,878.00	—	7,878.00	11,029.00
Heilungkiang (Amur)	43	5	48	8,350.00	1.41	8,351.41	11,694.00
Total .....	150	17	167	24,753.00		24,756.02	34,658.00

### 53 Wireless Installations

The situation of wireless telegraphy in China, like that of the telegraphic lines, is more complicated, the control of installations being disputed not only as between China and the foreign powers, Denmark, Japan, Great Britain and the United States, but also between the foreign powers themselves. This complicated situation, including the concession for extensive wireless installation given to the Mitsui Company of Japan by the Chinese Government, was fully recorded in the former Report. With the development of Marconi's invention, Russia was first to establish a wireless telegraph station, in 1905, at Harbin in the C. E. Railway Zone for communication between Chita and Vladivostok, for emergency use in case the land line be disturbed. Japan installed, in 1911, a wireless station at Dairen in the Leased Territory, chiefly to provide navigation facilities. In North Manchuria, the Japanese Army operated a radio station at Harbin during the Siberian Expedition of the Allied Powers, but restored this to the Chinese Eastern Railway in 1922. The Russian radio station, maintained since 1905, was forcibly taken over by the Chinese authorities after the Washington Conference. Then the construction of radio stations in Manchuria was placed under the control of the Chief of the Mukden Arsenal by order of Marshal Chang Tso-lin; two more stations were built, at Mukden and Changchun respectively, and three Marconi type radio apparatus were installed respectively at Harbin, Mukden and Changchun. In 1923, two more stations were erected, at Kirin and Tsitsihar. The Chinese Government, up to that time, had been accustomed to pay for European messages about 400,000 Chinese dollars annually to the Great Northern Company

\* The figures are taken from the China Year Book, 1931.

(Danish) and the Eastern Extension Company (English), but several payments in recent years are in default. Subsequently, the radio station at Mukden was installed in February, 1927, this being one of the most advanced radio plants, supplied by the German Telefunken Company. This station successfully established direct radio communication with the Nauen Station in Germany in the first trial operation on July 13, 1927. According to report, the British and Danish Ministers at Peking lodged formal protests against Chinese direct communication with Europe in disregard of China's previous engagements with these Powers.

## V LEASED TERRITORY AND RAILWAY ZONE

### 54 General Remarks

In the Leased Territory of Kwantung Province and the South Manchuria Railway Zone, which together cover an area of 1,400 square miles, little larger than the State of Rhode Island, U.S.A., remarkable progress has been made during the last quarter-century under Japanese rule. The harbour of Dairen, improved by Japan at heavy outlay, has become one of the leading ports on the Pacific for world commerce. Historic Port Arthur, the Gibraltar of the East under Russian rule, is turned into a commercial port under the Japanese régime. Yet the Chinese are the great beneficiaries. The total population in the Leased Territory and the Railway Zone, aggregating 434,000 in 1907, increased in 1930 to 1,291,000, of which the Chinese number 80 per cent. Chinese resident in these areas enjoy better security of life and property than in any other part of Manchuria or China proper. While the deficit of the Kwantung Government's revenue annually amounting over to 4,000,000 yen is met by the home Government of Japan, the Customs revenue in the Port of Dairen and Port Arthur, Japanese ports, annually amounting to 12,000,000 taels goes exclusively to the treasury of the Chinese Government.

Historically speaking, Kwantung Province, including Port Arthur and Dairen, was part of the territory at the southern extremity of the Liaoting Peninsula\* which was ceded in 1895 to Japan by the Shimonoseki Treaty, but restored to China in consequence of Russian intervention. Three years later the territory was leased to Russia, on March 27, 1898, for 25 years, subject to extension by mutual agreement; but by the Treaty of Portsmouth, 1905, the lease was transferred to Japan, which was subsequently confirmed by China, and in 1915 it was agreed that the lease should be extended to 99 years from the date of the original lease of the territory. That is to say, the term of this lease will expire in 1997. The terms of the South Manchuria Railway Company's line from Dairen to Changchun, and of the Antung-Mukden Railway, were also extended to 99 years from the original date of lease, and the respective Railway Zones will remain under Japanese control until the years 2002 and 2007. The total area under Japanese control, amounting to 1,400 square miles, thus represents but a fraction of Manchuria, to be precise, the 273rd part of the whole. The area and population of the Leased Territory and the Railway Zone, according to

\* The Liaoting Peninsula ceded to Japan in 1895 is the territory south of a line drawn from the mouth of the Yalu river to Newchwang through Fenghuang and Haicheng, covering an area of about 21,582 square miles.

statistics compiled by the Kwantung Government, are given in the table below as of December 31, 1930:

	Area	Population				Total	Population per square mile
		Japanese	Korean	Chinese	Others		
Leased Territory...	1,300 sq. m.	116,052	1,794	820,534	734	939,114	722
Railway Zone .....	100 " "	99,411	15,901	235,016	1,769	352,097	352
Total .....	1,400 " "	215,463	17,695	1,055,550	2,503	1,291,211	922
Total Population in 1907 ...		37,885	—	396,067	77	434,029	310

### 55 Kwantung Government

The military administration of the Kwantung Province conducted by the Japanese Army following its occupation during and after the Russo-Japanese war was replaced by a civil administration under a Governor-General, who was a direct appointee of H.M. the Emperor and who originally was to be a general or lieutenant-general of the Japanese Army. By the organic regulations of the Government-General of Kwantung Province which were promulgated on July 30, 1906, the Governor-General not only controlled civil and judicial administration in the Leased Territory of the Kwantung Peninsula, but for the maintenance of peace and order in the Leased Territory and in the Railway Zone in South Manchuria, he was invested with military power, commanding the Japanese Garrison and the Railway Guards. In addition, the Governor-General was empowered to protect the Japanese railways in Manchuria and to supervise the administration of the South Manchuria Railway Company. By virtue of a special commission, he was charged with the conduct of negotiations with the Chinese local authorities. As to political matters, he was subject to the supervision of the Minister of State for Foreign Affairs in Tokyo, and to the Minister of State for War with reference to military matters. His government had two departments — those of Civil Administration and the Army Corps.

Following the trend of world movements generally, especially after the Great War, Japan adopted a more liberal policy in her rule in Kwantung Province and in the Railway Zone. By Imperial Ordinance No. 94, promulgated on April 12, 1919, the Organic Regulations of the Kanto-cho (Kwantung Government) superseded those of the Government-General, and the Governor-General was replaced by the Kanto-chokan (Governor of Kwantung), a civilian official. The Governor has jurisdiction over the Province, control of the policing, of the railways in South Manchuria, and supervision of the business of the South Manchuria Railway Company. The military power possessed by the Governor-General was vested in the Commander-in-Chief of the Kwantung Army, a post then created.

In the matter of local administration, Kwantung Peninsula was divided into three administrative districts, which were later reduced to two. The head of each district executes therein the laws and ordinances, and discharges his administrative functions under the direction of the

Governor. In the cities of Dairen and Port Arthur, self-governing municipalities have functioned since 1924. The self-government principle is also adopted in the village administration, the head of which, Hui-chang, is a Chinese appointee.

As the first civilian Governor of the Kwantung Province, Baron Gonsuke Hayashi, later Ambassador to Great Britain, was appointed in 1919. But Cabinet changes in Japan have often compelled a change in the governorship, so that eight Governors have functioned during the past 12 years. The present incumbent, Mr. Man-nosuke Yamaoka, was appointed Governor in January, 1932, on the resignation of Mr. Seiji Tsukamoto.

The present organization of the Kwantung Government, with affiliated offices, is shown in the table below:

Government of Kwantung Province	Governor's Secretariat.....	Private Secretaries Section Secretaries Section Census Section (temporary) Foreign Affairs Section Board of Councillors
	Home Affairs Bureau.....	Local Administration Section Education Section Industrial Affairs Section Civil Engineering Section
	Police Administration Bureau.....	Police Affairs Section High Police Section Peace Preservation Section Penal Affairs Section Sanitation Section
	Finance Department.....	Accounts Section Finance Section
	Local Administration Offices.....	Primary Schools Schools for Natives
	Courts of Justice.....	High Court { Court of Cassation { Court of Appeal Local Court
	Procurators' Office.....	Procurators' Office for Local Court Procurators' Office for High Court
	Communications Bureau.....	Post Offices Branch Post Offices Telephone Sub-stations Telegraph Sub-stations Telephone Offices Telegraph Agencies
	Prison.....	Branch Prisons
	Marine Bureau.....	Branch Marine Offices
	Port Arthur Engineering College	
	Middle Schools	
	Girls' High Schools	
	Normal School (for Natives)	
	Commercial Schools (for Natives)	
	Agricultural Schools (for Natives)	
	Police Training School	
	Meteorological Observatory.....	Branch Observatory
	Government Hospitals.....	Port Arthur Hospital Port Arthur Women's Hospital Port Arthur Isolation Hospital Dairen Women's Hospital Dairen Isolation Hospital
	Agricultural Experimental Station	
	Sericultural Experimental Station	
	Stud Farm	
	Stock Breeding Station	
	Aquatic Products Experimental Station	
	Exchanges (Produce, Currency, etc.)	
	Opium Monopoly Office	
	Asylum for Opium Smokers	
	Museums	
	Temporary Land Investigation Department	

## 56 Finance

Government expenditure in Kwantung Province during the military occupation was defrayed out of the extraordinary war fund which was created during the war with Russia. After the Government-General of the Province was established, the annual expenditure (beginning 1907) was placed under a special account. The principle is that the Government expenditure be defrayed from the revenue derived from this province and, if any deficit should occur, it is to be met with a grant from the Imperial Treasury of the Home Government, the object being to gradually or ultimately place the finance of the Kwantung Government on an independent footing. The following table shows the growth of annual expenditure and revenue for the last twenty-four years, together with the annual grant from the Home Treasury, amounting from two to four million yen each year:

	Revenue			Total Revenue	Total Expenditure
	Taxes and other Receipts in yen	Grant from Treasury	Surplus of preceding year transferred		
1907-8.....	1,273,472	3,000,000		4,273,472	3,451,487
1912-3.....	1,887,141	3,122,500	1,153,129	6,162,770	5,359,503
1917-8.....	3,645,827	2,007,000	2,072,397	7,725,224	4,612,985
1922-3.....	12,032,925	4,300,000	3,011,051	19,343,976	15,217,555
1927-8.....	13,760,290	4,000,000	4,441,316	22,201,606	16,985,029
1928-9.....	17,261,544	4,000,000	5,216,576	26,478,120	20,854,932
1929-30.....	17,770,858	4,550,000	5,623,187	27,944,045	22,576,468
1930-31.....	15,793,564	4,000,000	5,267,576	25,161,140	19,870,876
1931-32 (Budget)	15,597,142	4,000,000	2,574,174	22,171,316	22,171,316

The financial record of the Kwantung Government showed a steady upward tendency to the fiscal year 1929, ending March 31, 1930, but in the fiscal year of 1930 there was a marked decline due to the great financial and business depression which prevailed all over the world. To cope with this situation, the Kwantung Government applied during the fiscal year 1931, ending March 31, 1932, the further retrenchment policy wherever possible, but at the close of the year it found itself obliged to ask for an extraordinary subsidy of 500,000 yen from the Home Government to make good the deficit. This deficit chiefly was caused by the extraordinary budget of the police, due to special service following the Manchurian incident of September 18, 1931.

In the budget of the Kwantung Government for the fiscal year 1931-32, the total revenue, including extraordinary revenue, was estimated at 22,171,316 yen. The revenue from taxes, direct and indirect, was estimated at 3,595,173 yen only, of which the tax on the incomes of corporations, paid mostly by Japanese, amounted to over 1,828,000 yen, while the land tax amounted to 216,681 yen, 60 per cent. of which is paid by Chinese. The indirect taxes — on tobacco, liquor and salt — were estimated at 1,457,837 yen. The most important items of the revenue are the receipts from public undertakings, of which 6,270,000

yen are contributed by the postal, telegraphic and telephone services. The extraordinary revenues amount to 7,599,000 yen, of which 4,000,000 yen is furnished by the Imperial Treasury, 600,000 yen from a loan, and 2,574,000 yen from the surplus of the revenue transferred from the preceding fiscal year.

Of the expenditures for the same fiscal year, aggregating 22,171,316 yen, about 5,174,000 yen, it was estimated, would be spent on communication services—posts, telegraphs, and telephones. The next important item of expenditure is the police service, amounting to 4,235,000 yen. Another important item is the cost of the educational service, amounting to 2,410,000 yen. The sum of 2,558,000 yen was allotted for Government buildings, communications improvements, etc. under the heading of expenses for public undertakings.

Regarding village administration, the revenue from local taxes, public properties and undertakings, licenses, fees, etc., is applied to expenses of villages offices, education, sanitation and other items of local administration. Any deficit incurred is made up with a subsidy from the General Account of the Kwantung Government, this amounting in the current year to about 1,551,800 yen.

### 57 Courts of Justice

With regard to the administration of justice in Kwantung Province, Japan decided not to recognize foreign jurisdiction, following the practice of the leased territories held by other Powers in China. By Imperial Ordinance No. 198, promulgated on July 31, 1906, the Totokufu-Hoin (Courts of Justice) were established under the direct control of the Governor-General to adjudicate in all civil and criminal cases, irrespective of nationality, in the peninsula. This was a two-trial system, which was modified at a later date to the three-trial system in vogue in Japan. Although the Courts of Justice consist of a High Court and a Local Court, the High Court is divided into the Cassation Department (Court of Cassation) and Appeal Department (Appeal Court). In the beginning, the administration of justice was based partly on the Japanese Civil and Criminal Codes and partly on local laws and usages, but since the judicature ordinance of Kwantung Province was issued in 1909, the laws of Japan have been applied in general. Chinese usages, however, are often observed in cases relating to the family, succession, bankruptcy, criminal and other actions. While registration matters are administered by the District (or lowest) Court in Japan proper, registration in the Leased Territory is conducted by the local administrative offices.

Judicial cases within the South Manchuria Railway Zone are under Consular jurisdiction in accordance with the provisions of extraterritoriality of the Sino-Japanese Treaty. But appeal or cassation cases come before the High Court in the Leased Territory.

Statistics relating to civil and criminal cases and registrations in the Leased Territory are as follow:

#### 1. RECORD OF CIVIL CASES

Year	1st Trials	2nd Trials	3rd Trials	Court of Cassation
1906.....	245	5	—	—
1912.....	650	75	—	1
1916.....	496	36	—	3
1921.....	715	49	—	3
1926.....	897	111	9	11
1927.....	1,015	123	14	16
1928.....	1,052	145	21	14
1929.....	986	106	19	10
1930.....	1,226	137	22	15

#### 2. RECORD OF CRIMINAL CASES

Year	1st Trials	2nd Trials	3rd Trials	Court of Cassation
1906.....	165	9	—	—
1912.....	177	32	—	1
1916.....	230	22	—	3
1921.....	676	49	—	3
1926.....	882	153	34	1
1927.....	1,786	150	24	2
1928.....	1,800	189	32	—
1929.....	1,384	170	32	—
1930.....	1,480	118	36	—

#### 3. RECORD OF REGISTRATIONS

Year	Real Estate	Buildings	Vessels	Trade and Juridical Persons	Others	Total
1912.....	—	2,409	90	543	35	3,077
1916.....	—	2,804	202	742	34	3,782
1921.....	—	5,167	39	3,137	154	8,497
1926.....	9,625	2,573	74	805	3,809	16,886
1927.....	12,191	3,169	94	775	5,994	22,223
1928.....	13,202	3,209	128	821	6,932	24,292
1929.....	12,284	3,586	141	303	9,581	25,895
1930.....	12,019	3,689	166	862	7,845	24,581

### 58 Police Administration

The Japanese police administration in South Manchuria was inaugurated when the region was under military occupation during and after the Russo-Japanese war. Simultaneously with the establishment of the Government-General in July, 1906, in Kwantung Province, the police administration was limited to the Leased Territory and the Japanese Railway Zone, where the Governor-General was responsible for the protection of the South Manchuria Railway lines. A police director-general acted under the control of the Governor-General. In order to maintain communication and harmony between the Railway Zone and Japanese Consular jurisdiction outside the Railway Zone, the Consular officials were appointed in January, 1908, *ex-officio* as the police authority of the Government-General. During the European war, the need for more effective maintenance of peace and order in Manchuria being

felt, gendarme officers of the Army Corps acted *ex-officio* in important police posts. When the Governor-General in 1919 was replaced by the Civil Governor of Kwantung, all important police officials again became civil appointees.

When the Government-General was first established in 1906, the police force numbered 931, of whom 250 were Chinese assistant police. Owing to the stupendous growth of population, especially Chinese, in the Leased Territory and Railway Zone, during the last quarter-century, the force was increased to 3,042, including 766 native assistants, at the end of the fiscal year ending March 31, 1931. With regard to the cost of police administration, about 500,000 yen was spent in 1906, while the outlay increased to 4,306,000 yen in the fiscal year 1930.

The following table shows the number of police inquisitions and arrests in the Leased Territory and Railway Zone at intervals during the past twenty years:

Year	Offences against Criminal Law		Offences against Regulations		Bandit Offences		Piracy Offences in territorial waters of Leased Territory
	Leased Territory	Railway Zone	Leased Territory	Railway Zone	Leased Territory	Railway Zone	
1909.....	1,849	1,752	1,657	509	15	?	?
1912.....	2,216	1,617	4,691	507	0	4	19
1916.....	2,285	1,595	2,694	706	1	16	27
1921.....	3,372	3,078	5,147	1,289	6	14	4
1927.....	5,288	5,371	11,934	3,169	7	4	21
1928.....	6,373	5,736	11,220	5,087	8	13	6
1929.....	6,533	8,103	13,453	5,726	1	3	4
1930.....	6,241	7,076	16,241	4,076	1	12	7

### 59 Defence

Japan succeeded Russia in the right of military defence of the Leased Territory and the Railway Zone by virtue of the Treaty of Portsmouth, which was subsequently confirmed by China. One division of the Japanese Army was stationed as the garrison, and eight battalions as railway guards, in the Leased Territory and the Railway Zone respectively. The railway guards in later years were reduced to a smaller number than that allowed by treaty, which provides that the "number of railway guards shall not exceed fifteen per kilometre." The Governor-General of Kwantung Province was at first the supreme commander of the forces in Manchuria, but as already stated, after the Governor-General in 1919 was superseded by the Governor of Kwantung, a civil appointee, the military power vested in the Governor-General was transferred to the Commander-in-Chief of the Kwantung Army, a post newly created. For the maintenance of the Kwantung Garrison and railway guards, the War Department of the Home Government has spent from seven to sixteen million yen annually in recent years.

To secure the defence of the Leased Territory, there is a buffer area or neutral zone along the northern frontier. Within this zone, though the civil administration is entirely in the hands of the Chinese

authorities, Chinese troops are not permitted to enter without the consent of the Japanese (and formerly the Russian) authorities.

As to the naval defence of the Leased Territory, Port Arthur was created a Naval Station in 1909. The port was closed to merchant ships until July 30, 1910, when the West Harbour was thrown open to the commerce of all nations, and the Chinese Imperial Maritime Customs invited to establish an office for the inspection of goods in transit. The Eastern or Inner Harbour was retained as a secondary naval station until December, 1922, and later as the base of the Naval Defence Corps. The Japanese Navy to-day maintains at Port Arthur only one light cruiser, a torpedo destroyer flotilla consisting of four boats, and a wireless telegraph station chiefly for local security.

### 60 Port Arthur To-day

Most of the forts and trenches on the hills overlooking Port Arthur, such as Tungchikuanshan Fort, Wang-tai Hill, Sungshashan Fort, and the famous 203 Metres Hill, the grave of so many thousands of Japanese troops, and on the fortification of which Russia spent an enormous amount of money, are now preserved as historical relics just as they were left at the close of the Russo-Japanese war. To-day they are among the "sights" of Port Arthur, and are inspected by thousands of tourists. Well-paved roads communicate with each fort and other places of interest, a motorcar trip affording an unforgettable afternoon's experience. Ogondai beach, facing the open sea, near the old Golden Hill Battery, is now a popular bathing resort with well-equipped dressing quarters. During the summer season a branch of the Yamato Hotel is opened near the beach, and more than twenty bungalows located half-way up Ogondai Hill are provided for families, who come from all parts of China for the summer. A motor road to Dairen, about thirty miles in length, was completed in 1924 by the Kwantung Government at a cost of 1,350,000 yen.

Port Arthur, which was regarded as the Gibraltar of the East under Russian rule, is to-day not only a commercial port, but a growing international pleasure resort under the Japanese *régime*.

### 61 Communications System

The communications system, post and telegraph, in South Manchuria was first established by the Japanese military authorities during the Russo-Japanese War. Soon after the establishment of the Government-General of Kwantung, the system was transferred to its Communications Bureau established in Dairen, the Chief of Bureau taking charge of affairs relating to posts, telegraphs, and telephones principally in the Leased Territory and Railway Zone.

Mails between Manchuria and Japan were originally carried by steamer twice a week, but this was increased to a daily service, by the

land route, when the Antung-Mukden Railway was connected with the Government Railway of Korea in June, 1912. This was further increased to a service twice a day in August, 1918. Mail communication between South Manchuria and Europe was inaugurated in 1908, but was suspended for several years after September, 1918, owing to political disturbances in Russia. It was again suspended for six months in 1929 during the Sino-Soviet dispute on the Chinese Eastern Railway, and for a third time suspended during the Harbin disturbance in Jan.-Feb., 1932.

#### POSTAL SERVICES

The postal services conducted by the Communications Bureau outside the Railway Zone, in such districts as Hsinmintun and Kirin, were transferred, in 1922, to the postal system of the Chinese Government as a result of the Washington Conference.

The progress made in postal matters in the Leased Territory and the Railway Zone under Japanese rule may be seen in the following tables:

Year	Ordinary Mails			Parcel Post		
	Mail Matter Dispatched	Mail Matter Received	Total	Parcels Dispatched	Parcels Received	Total
1906-7 ...	12,821,242	13,014,613	25,835,855	52,941	146,072	199,013
1911-2 ...	13,182,814	16,636,493	29,819,307	167,882	346,804	514,686
1916-7 ...	18,650,218	22,191,108	40,841,326	233,574	494,580	728,154
1921-2 ...	45,261,990	50,470,004	95,731,994	396,993	827,118	1,224,111
1926-7 ...	41,656,134	48,410,573	90,066,707	334,681	739,941	1,074,622
1927-8 ...	49,949,123	54,044,010	103,993,133	346,931	799,612	1,146,543
1928-9 ...	57,559,461	61,491,136	119,050,597	390,306	933,981	1,324,287
1929-30...	56,764,733	63,026,523	119,791,256	421,203	1,096,399	1,517,602
1930-31...	56,316,692	63,061,900	119,378,592	421,275	1,076,306	1,497,581

#### POSTAL MONEY ORDERS

Year	Money Orders Issued			Money Orders Paid		
	Domestic	Foreign	Total	Domestic	Foreign	Total
1906-7 ...	6,196,940	278	6,197,218	1,348,308	176	1,348,484
1911-2 ...	6,514,280	15,336	6,529,616	2,702,890	5,190	2,708,080
1916-7 ...	9,103,950	9,474	9,113,424	4,057,266	6,113	4,063,379
1921-2 ...	20,805,443	17,385	20,322,828	10,425,284	8,190	10,433,474
1926-7 ...	16,071,691	62,496	16,134,187	8,516,987	107,326	8,624,313
1927-8 ...	17,458,948	66,693	17,525,641	8,243,679	113,327	8,357,006
1928-9 ...	18,405,342	59,538	18,464,880	8,604,820	130,232	8,735,052
1929-30...	18,989,987	52,391	19,042,378	8,952,765	85,663	9,038,428
1930-31...	16,540,429	36,480	16,576,909	7,761,777	60,864	7,822,641

#### POST OFFICE SAVINGS BANK

Year	Balance at End of Year			
	Amount Deposited	Amount Withdrawn	Number of Depositors	Amount of Deposits
1906-7 .....	1,331,733	605,303	19,650	652,571
1911-2 .....	2,516,694	2,326,418	61,362	2,349,666
1916-7 .....	3,352,363	2,851,857	83,598	2,890,582
1921-2 .....	7,821,406	6,962,200	147,292	7,298,626
1926-7 .....	9,795,152	9,048,274	226,277	12,194,995
1927-8 .....	14,019,291	10,579,185	243,952	16,373,338
1928-9 .....	14,283,195	11,749,811	261,788	18,967,515
1929-30 .....	16,733,534	13,284,352	280,678	22,974,324
1930-31 .....	16,629,234	14,967,061	284,295	24,839,369

The progress of the telegraph and telephone service made in the last twenty-five years is shown by the following table:

#### TELEGRAPHS

Year	Messages Dispatched			Messages Received			Messages in Transit
	Domestic	Inter-national	Total	Domestic	Inter-national	Total	
1906-7 ...	201,800	90,240	292,040	205,119	65,123	270,242	212,714
1911-2 ...	861,980	34,194	896,174	796,681	36,239	832,920	1,168,171
1916-7 ...	1,246,656	72,944	1,319,600	1,171,954	80,188	1,252,142	1,566,892
1921-2 ...	2,205,402	126,987	2,332,389	2,105,796	117,271	2,223,067	2,571,442
1926-7 ...	1,811,396	211,665	2,023,061	1,734,457	208,850	1,943,307	2,249,000
1928-9 ...	1,961,514	220,031	2,181,545	1,873,031	224,026	2,097,057	2,334,955
1929-30...	1,937,223	217,294	2,154,517	1,842,755	230,232	2,072,987	2,351,282
1930-31...	1,768,057	198,434	1,966,491	1,698,800	208,155	1,906,955	2,161,932

#### TELEPHONES

Year	No. of Users	Number of Automatic Telephone Boxes	Number of Messages		
			Within Urban Areas	Outside Urban Areas	Total
1906-7 .....	785	—	1,948,871	105,100	2,053,971
1911-2 .....	3,630	42	20,152,027	220,448	20,372,475
1916-7 .....	4,976	58	26,907,685	369,756	27,277,441
1921-2 .....	11,155	74	55,293,251	791,931	56,085,182
1926-7 .....	14,816	99	110,521,767	1,097,210	111,618,977
1927-8 .....	15,484	106	118,294,205	1,275,199	119,569,404
1928-9 .....	16,407	117	138,271,214	1,515,852	139,787,066
1929-30 .....	19,158	125	151,834,855	1,255,449	153,090,304
1930-31 .....	19,460	124	168,859,148	969,379	169,828,527

#### 62 Educational, Hygienic and Other Services

In the Leased Territory and Railway Zone, where more than 81 per cent. of the total population, numbering 1,291,000, is Chinese, about 8,000,000 yen has been spent annually for education by the Kwantung Government and the South Manchuria Railway Company. The Kwantung Government also looks after hygiene and sanitation in co-operation with the Railway Company, and undertakings for the encouragement of agriculture and industry in the Leased Territory are conducted by both authorities. These educational and hygienic services, as well as measures for agricultural and industrial encouragement, will be treated later in separate chapters under the respective headings.

## VI SOUTH MANCHURIA RAILWAY

### 63 Introductory Remarks

The story of the development of the South Manchuria Railway is also, to a great extent, the story of the progress of Manchuria in the last quarter-century, for both are inseparably related.

In addition to its extensive railway undertakings in South Manchuria, which constitute the main business, the Company conducts, as accessory enterprises, coal mines, iron works, wharves, warehousing, hotels and other activities. The Company is also engaged in educational, hygienic and other public works within the Railway Zone; controls a number of joint-stock companies, electric and gas works, shipping and dock-yard companies, express undertakings, etc., chiefly in South Manchuria, and acts also as a holding company for these concerns. The functions of the corporation and the volume of its business are possibly the largest of their kind in the Orient, and in some respects, are unsurpassed by any other concern in the Pacific area. In spite of hardship and disturbance occasionally encountered, the business of the Company was achieving record results almost each year down to 1929. But the radical fall of silver in China and elsewhere, and the world-wide economic depression had their effects on the Company's business for the fiscal year 1930, the gross receipts falling off by over 62,000,000 yen as compared with the record year of 1929.

The continued world economic depression and the Manchurian incident resulting from the attack on the railway line near Mukden by Chinese regular soldiers on September 18, 1931, also affected the Company's business for the fiscal year ending March 31, 1932.

### 64 Formation of the Corporation

The South Manchuria Railway Company was formed by Imperial Ordinance No. 142 of June 7, 1906, and a Government Order dated August 1, 1906. The Articles of Incorporation were passed at the general meeting of shareholders on November 22, 1906, at which the status of the corporation, its business functions, certain powers of Government control and other conditions were prescribed. The ordinance provided:

(1) that a joint stock corporation, called the Minami Manshu Tetsudo Kabushiki Kaisha (South Manchuria Railway Joint Stock Company), should be organized for the purpose of engaging in railway traffic in Manchuria; (2) that the shares of the Company should be registered and owned only by the Japanese and Chinese Governments or by their nationals; (3) that the Japanese Government may offer as a part of the capital its Manchuria railways, coal mines and

appurtenances obtained in 1905 from Russia by the Treaty of Portsmouth and approved by China in virtue of the Peking Treaty concluded in the same year; (4) that the President and Vice-President should be appointed by the Government, and the directors appointed from among the shareholders, but that the directors should be elected first at the General Meetings of shareholders; (5) that to matters relating to the Company not provided for by this ordinance the provisions of commercial law should be applied.

Thus the South Manchuria Railway Company came into existence by a special charter of the Government, but essentially as a joint-stock company organized in conformity with the provisions of the Commercial Law of Japan. When Baron (later Count) Goto was recommended at the general meeting as President of the newly-established corporation, he spoke on the mission of the South Manchuria Railway, and declared, that though the total length of the railways to be operated by the Company was a little less than 700 miles, their position constituted a link in world communications, and provided international business facilities, not only for the Orient but also for the world at large. The policy of the Company should be in conformity with the will of the Government and the shareholders, but should give greater weight to the general wishes of business men at home and abroad. More particularly should a spirit of co-operation with the Chinese authorities and people be cultivated.

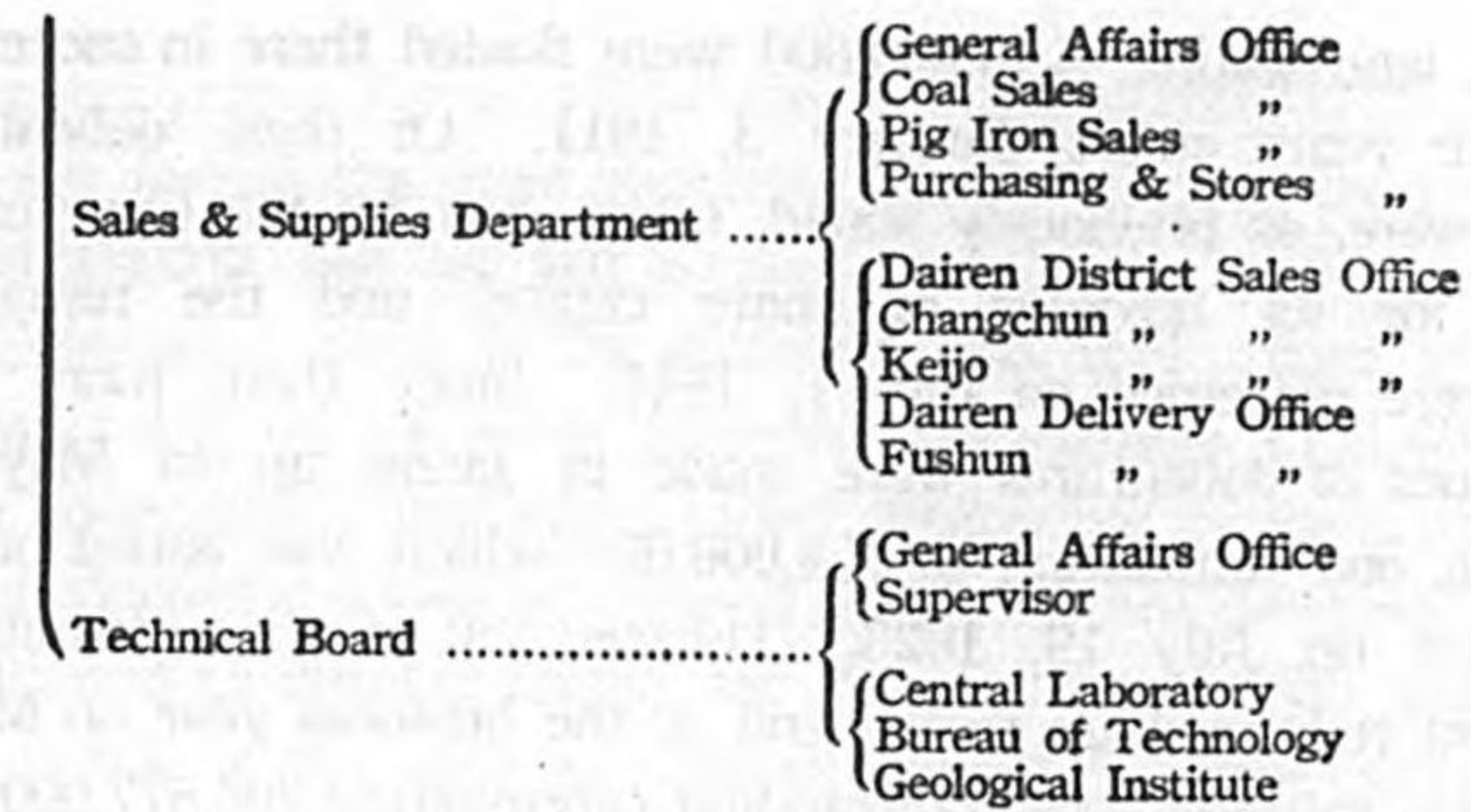
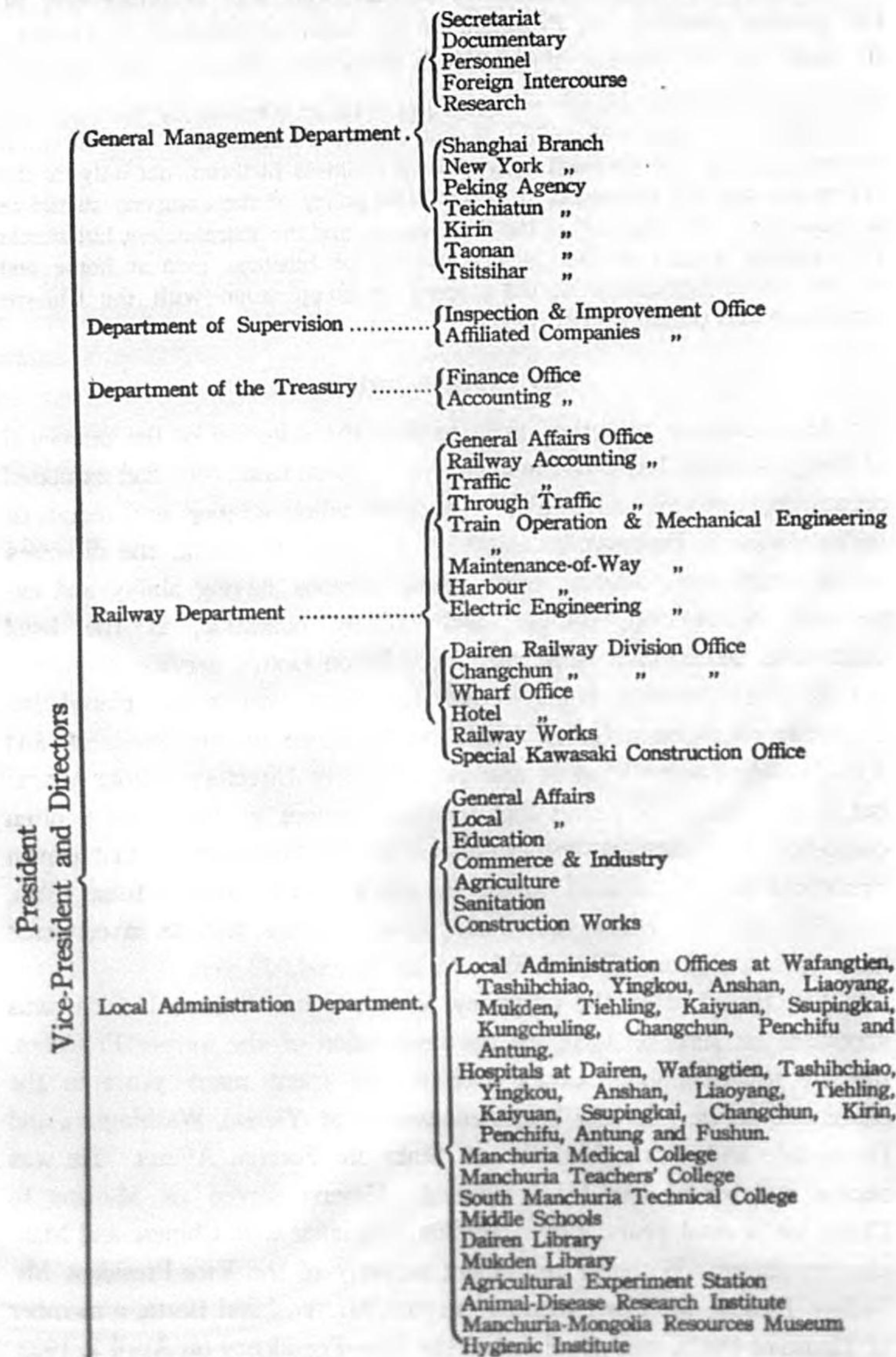
### 65 Organization

Most serious attention was paid to the selection of the personnel of the governing board of the Company. Baron Goto, who had exhibited organizing and executive ability in civil administration and industrial undertakings in Formosa, having been appointed President, the directors of the Board were selected from among persons having ability and experience in banking, trading, and railway operation, in the legal profession, and in civil administration. Baron Goto's service, though it was of short duration, being rather less than two years, placed the Company on a sound basis. The terms of office of the President and Vice-President were fixed at five years, and of Directors at four years; but it is a matter of regret that political changes in Japan have often compelled a change in the presidency of the Company, so that eleven Presidents have functioned during the last 24 years. During these years, however, the Company has made great progress, and its investments have increased from 101,800,000 yen to 742,000,000 yen.

The President of the Company to-day, Count Yasuya Uchida, was appointed on June 6, 1931, on the resignation of the former President, the late Dr. Sengoku. Count Uchida has spent many years in the diplomatic service, having been Ambassador at Vienna, Washington, and Petrograd, and twice Minister of State for Foreign Affairs. He was once a member of the Privy Council. Having served as Minister to China for several years, Count Uchida is familiar with Chinese and Manchurian affairs. With the retirement recently of the Vice-President Mr. Sadaye Eguchi, after ten months' service, Mr. Yoshiaki Hatta, a member of House of Peers, was appointed to the Vice-Presidency on April 7, 1932,

Mr. Hatta, having served the Japanese Government Railways for many years, and lastly as Vice-Minister of Railways, has had much experience in railway administration.

The organization of the Company was extended from five to twelve departments by the former President, Dr. Sengoku, on June 14, 1930, but was reduced to six departments on July 30, 1931, after Count Uchida had assumed the presidency. Under direct control of the President are the Fushun Coal Mine General Office, Anshan Iron Works, Tokyo Branch Office, Mukden General Office, and the Harbin Office. The organization of the South Manchuria Railway Company is shown in the following summary:



66 Finance

The authorized capital of the Company was originally 200,000,000 yen, of which the equivalent of 100,000,000 yen was furnished by the Japanese Government turning over all its property in railways and coal mines and their appurtenances to the Company. The other half was offered for subscription to the Chinese Government and the Japanese and Chinese public, but this offer was not accepted on the part of the Chinese. When the first issue of shares was floated in September, 1906, the Japanese general public over-subscribed the issue no less than 1,066 times. Up to March, 1920, the capital paid up was 80,000,000 yen, leaving 20,000,000 yen uncalled, but with the necessary development of the Company's activities, especially after the Great War, the Company increased its capitalization from 200,000,000 yen to 440,000,000 yen. The Government again increased its holdings by 120,000,000 yen, or half of the increased capital, by taking over three debenture issues which the Company had floated on the London Market: £ 4,000,000 of five per cent., £ 2,000,000 of five per cent., and £ 6,000,000 of four and one-half per cent. interest, totaling £ 12,000,000. The actual net receipts were £ 12,000,000, being 117,156,000 yen in Japanese currency, while of the Government holding 2,844,000 yen was left unpaid. Of the remaining shares, amounting to 220,000,000 yen allotted to the general public, 170,000,000 yen have been subscribed, and 50,000,000 yen remained uncalled, as on March 31, 1931.

The Company was originally authorized to issue debentures to the amount of the unpaid share capital belonging to other than Government holders. By Imperial Ordinance No. 4, of 1910, this amount could be expanded to twice the amount of all paid-up share capital, but could not exceed the amount of the authorized capital. The Government may guarantee the payment of interest and principal of the debentures to the same extent, if necessary, but debentures issued with the Government guarantee must be redeemed within twenty-five years.

The financial policy of the Company in the first stage was to raise funds for its undertakings by issuing debentures rather than by floating new capital. Finding the most favourable market in London, four issues



of debentures, aggregating £ 14,000,000 were floated there in succession during the four years ending January 3, 1911. Of these debentures, £ 12,000,000 were, as previously stated, taken over by the Government in payment for its holdings of share capital, and the remaining £ 2,000,000 were redeemed on July 1, 1911. Since then, more than twenty-six issues of debentures were made in Japan up to May 31, 1931, including one amounting to £ 4,000,000 which was issued on the London Market on July 19, 1923. Thirteen out of these twenty-six issues had been redeemed up to the end of the business year on March 31, 1931, leaving thirteen issues outstanding, aggregating 296,577,000 yen.

### 67 Investment and Accounting

The Company started its undertakings in 1907 with an estimated fund of 100,000,000 yen, of which 80,000,000 yen was raised by floating bonds in England and 20,000,000 yen by calls on shares.

The funds thus raised by the means mentioned above have been invested in various enterprises. During the last twenty-four years, ending March 31, 1931, the investment in direct undertakings, including the appraised value of properties taken over by the Company from the Japanese Government in 1906, aggregated 742,069,206 yen, as shown by the table below:

	1907-8	1912-3	1917-8	1922-3	1930-31
Railways .....	34,542,910	97,113,296	105,530,752	189,616,304	270,230,960
Workshops .....	763,906	6,048,094	7,569,359	11,068,325	6,465,032
Steamships .....	—	3,385,357	2,680,317	3,559,874	—
Harbours .....	6,640,837	14,779,320	24,099,384	37,064,308	83,200,948
Coal Mines .....	46,396,043	56,469,164	71,097,985	121,056,784	117,871,977
Shale Oil Plant...	—	—	—	—	8,824,461
Iron Works .....	—	—	4,447,760	34,541,803	27,716,716
Chemical Fertilizer Plant.....	—	—	—	—	50,939
Electricity .....	474,695	5,002,052	5,738,182	15,237,405	—
Gas .....	3,592	1,170,495	1,554,778	5,434,140	—
Hotels .....	216,302	1,342,106	2,075,006	2,370,222	—
Public Works ...	3,374,494	11,022,573	17,786,171	40,863,288	176,272,207
Others .....	9,459,178	18,544,224	21,782,973	46,074,005	51,435,966
Total .....	101,871,957	214,876,681	264,362,667	506,886,458	742,069,206

The growth of these enterprises is shown by the following table of receipts, expenditures, and net profits:

Fiscal Year Ending March 31	Receipts yen	Expenditures yen	Profits yen	Percentage of expenditure against receipts
1907-8 .....	12,543,116	10,526,531	2,016,585	84
1912-3 .....	33,546,477	28,620,433	4,926,045	85
1917-8 .....	69,429,252	54,503,610	14,925,643	79
1922-3 .....	169,956,646	134,876,402	35,080,244	79
1929-30 .....	240,998,062	195,492,205	45,505,857	84
1930-31 .....	188,104,062	166,430,600	21,673,462	88

The net profit of the Company for the year 1907 was 2,000,000 yen; it had increased to 45,000,000 yen twenty-three years later, in 1929,

the record year. But as will be seen it fell to 21,000,000 yen in 1930. The railways furnish the most important item of revenue, the profit amounting to 58,500,000 yen at last account, surpassing by far the net profit of the Company. Next to the railways, the coal mines at last account yielded 1,813,000 yen profit, harbour undertakings 1,821,000 yen, and oil shale enterprise 32,000 yen. Other enterprises of the Company to date are conducted at a loss, or nominal profit, but are designed for the public benefit and to develop traffic for the railway. The expenditures for local public works such as schools, hospitals, street and road-building, industrial and agricultural model farms, etc., were more than 15,300,000 yen, and the receipts less than 4,500,000 yen at last report. The following table shows the profit and loss account of the Company for the fiscal year ending March 31, 1931:

	Receipts	Expenditures	Profit & Loss
Railways .....	95,330,730.31	36,768,576.44	58,562,153.87
Harbours .....	8,558,705.19	6,737,630.57	1,821,074.62
Coal Mines .....	62,441,160.97	60,627,988.99	1,813,171.98
Shale Oil Plant .....	2,615,400.78	2,582,832.39	32,568.39
Iron Works.....	6,641,289.18	7,307,922.11	666,632.93
Local Public Works .....	4,586,369.17	15,305,429.90	-10,719,060.73
Interest on Deposits and Loans .....	5,356,891.53	23,863,972.36	-18,506,990.83
Overhead Charges.....	—	10,867,787.59	-10,867,789.59
Sundry Profit & Loss ...	2,573,425.53	1,037,978.20	1,535,447.33
Depreciation Fund for Debentures .....	—	1,330,480.16	-1,330,480.16
Total.....	188,104,062.66	166,430,600.71	21,673,461.95
Previous Year.....	240,998,062.13	195,492,205.09	45,505,857.04

In the matter of dividends on the net profit of the Company, the Japanese Government guaranteed payment up to 6 per cent. on the publicly held shares, if the dividend should fall below that percentage; but the Company's enterprises, especially the railways, were so successful that a 6 per cent. dividend on the publicly held shares was paid from the first fiscal year, and was gradually increased to 11 per cent. in 1928. It was reduced to 8 per cent. in 1930. The Government shares in the profit, but only after payment has been made of all charges and of the 6 per cent. dividend on the public shares. The Government received such dividends from the fiscal year 1909, and received 4.3 per cent. on its holding from 1921 to 1927. The dividend was increased to 5 per cent. in 1928, but fell to 4.3 per cent. in 1930.

In the Company's balance sheet, at the end of the fiscal year 1930, the assets were computed at over 1,115,000,000 yen.

During the past twenty-four years, the special reserve, the legal reserve and other funds were gradually increased, and aggregated about 188,610,000 yen at the end of the fiscal year closing March 31, 1931. On the other hand, more than 154,755,000 yen in the investment account have been written off in the same period in respect of depreciation of the Company's properties. It will thus be seen that the financial

standing of the Company remains on a sound basis, despite the severe depression in recent years.

### 68 Railways

The South Manchuria Railway Company to-day owns and operates railway lines totaling 690.8 miles, in which the sum of 270,000,000 yen was invested up to the end of the fiscal year ending March 31, 1931. The gross revenue for the year was 95,330,000 yen, expenditure 36,768,000 yen, and profits 58,562,000 yen, or about 84,000 yen per mile. These figures reveal the fact that in efficiency and earning capacity the S.M.R. probably surpasses the leading railways in America, Europe, or Japan. But, owing to the heavy investment of capital in the form of debentures and in the various services for sanitation, education, and other public works, the profits of the Company as a whole are considerably diminished by the payment of interest and by the expense of these services.

Concerning the railway receipts of the Company, it should be mentioned that the figure amounting to 122,103,743 yen for the fiscal year 1929 (ending March 31, 1930), was the highest recorded in the Company's history. The radical fall of silver in China and the world-wide depression adversely affecting railway operation in 1930, the gross revenue of the railway account for the following fiscal year (ending March 31, 1931) fell off to 95,330,730 yen.

### 69 Reconstruction and Improvement

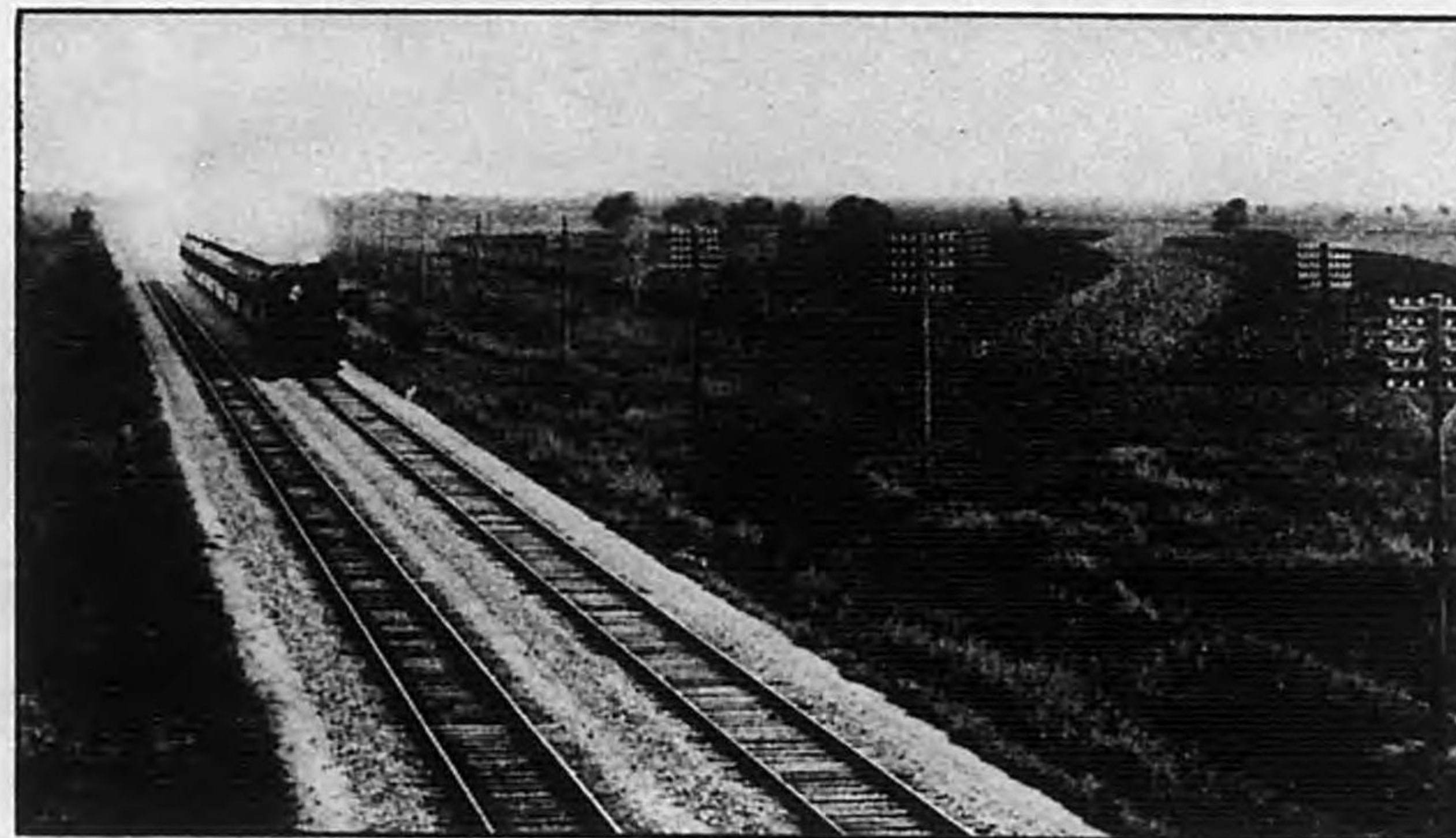
The railway system that the Company first took over from the Japanese Government in April, 1907, was in rather a depleted state. During the Russo-Japanese war, most of the rolling stock was withdrawn by the Russians, or destroyed in their retreat, and the bridges were blown up. With the advance of the Japanese armies to the north, the track was changed from the five-foot Russian gauge to the narrow gauge used by the railways in Japan, so that Japanese rolling stock might be the more readily utilized in the Manchurian campaign. Before the Company came into existence, however, the standard gauge of 4.8½ feet had been already adopted in Korea and China. In order to serve international trade on the Asiatic continent more efficiently, the South Manchuria Railway Company promptly adopted the standard gauge and proceeded to lay a double track as ordered by the Government.

By adopting the standard gauge, it was observed that the reconstruction work might be quickly carried out without much interruption of traffic if rails and rolling stock were imported from abroad.

Immediately after the railways were transferred from Government control on April 1, 1907, a comprehensive programme of reconstruction was begun. The work of widening the gauge on the branch line, Dairen-Port Arthur (31.6 miles) was completed by December 1, 1907;



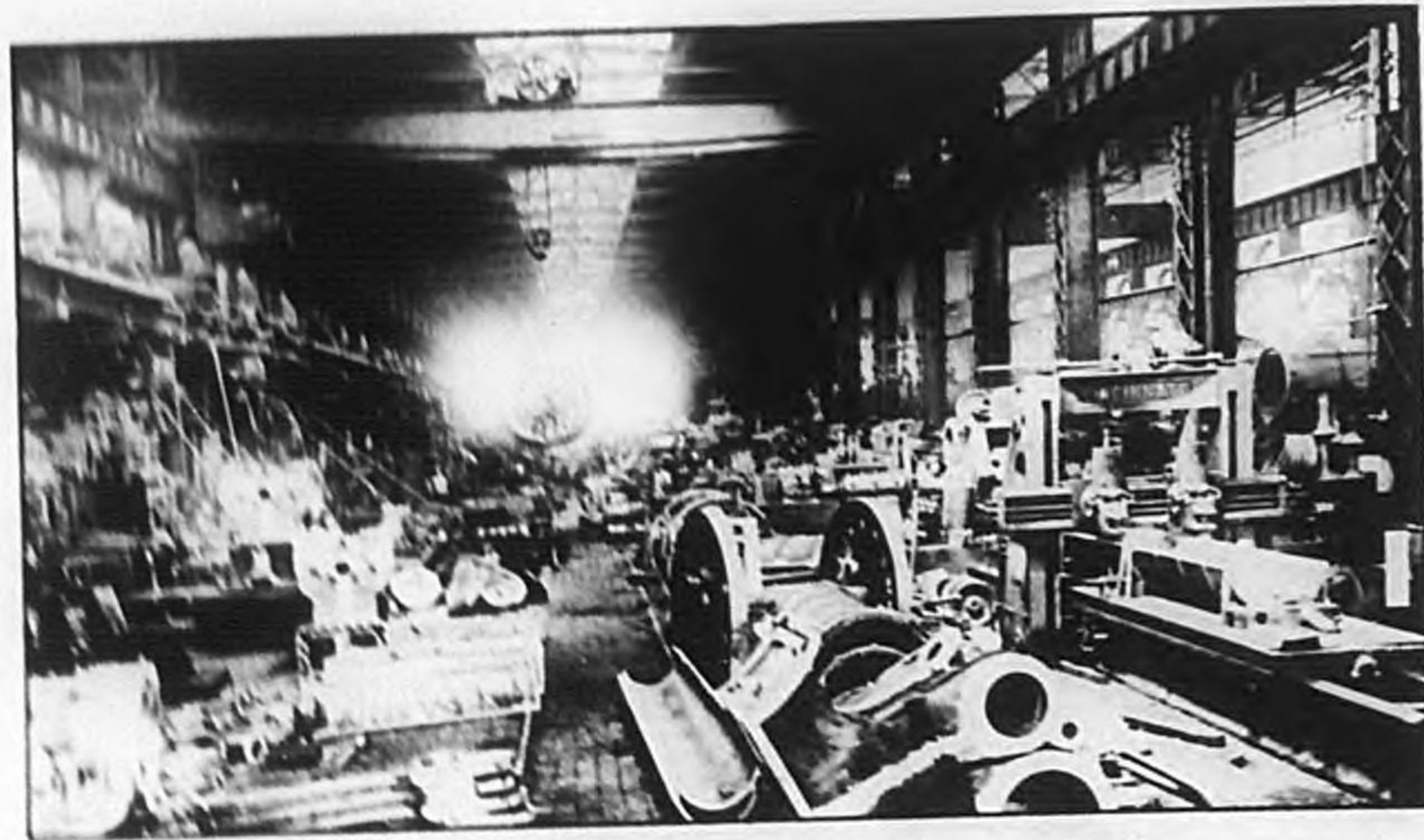
Head Office of South Manchuria Railway, Dairen



Double Track of South Manchuria Railway



The Open Cut at Fushum Colliery



Locomotive Construction at S. M. R.'s Iron Works



Assembling Passenger Coaches



A Locomotive Constructed for Shantung Railway of China

on the main line, Dairen-Changchun, through Mukden (438.5 miles), by April 30, 1908, and on two other branch lines, respectively to Yingkou and Fushun Mine, by May 30. The doubling of the track between Dairen and Suchiatun, near Mukden, a distance of 238½ miles, was begun at the same time, and was completed on October 27, 1909. The doubling of the track between Suchiatun and Mukden, a distance of ten miles, begun in June, 1915, was completed in November, 1918. The doubling of the track further north, from Mukden to Changchun, was begun in 1919, and is now nearly completed. The original Russian 65 lb. rails were first replaced with 80 lb. and, later, with 100 lb. rails. The roadbed being constantly improved, the steepest grade on the trunk line between Dairen and Changchun is now only one per cent., while the shortest radius of any curve is 15 chains.

The line between Antung and Mukden was originally built as a light military railway by the Japanese during the Russo-Japanese war. As already stated, Japan obtained from China the right to reconstruct the railway on standard gauge and operate and maintain the same for the purpose of international trade and industry. When this railway was transferred to the charge of the Company, it was decided to substitute the standard gauge within three years. But, owing to the controversy which arose on the subject between China and Japan, and to the line traversing mountainous regions, the reconstruction work was delayed until August 7, 1909, when the tunneling work at Fuchinling was begun. The whole work, including 24 tunnels, 205 bridges, and 213 culverts, was completed in two years and three months, and on November 1, 1911, the opening of this 161-mile railway was held with appropriate ceremony. The reconstruction cost amounted to about 25,000,000 yen. This line is still a single track, and 80 lb. rails are used, but these are now being replaced by 100 lb. rails.

The lines owned and operated by the South Manchuria Railway Company are as follow:—

1. Dairen-Changchun Main Line .....	438.5 miles
2. Antung-Mukden Main Line .....	161.7 "
3. Port Arthur Branch from Choushuitzu .....	31.6 "
4. Yingkou Branch from Tashihchiao .....	13.9 "
5. Yentai Colliery Branch .....	9.7 "
6. Fushun Branch from Hunho .....	35.4 "
Total .....	690.8 miles
	(1,125 kilometres)

### 70 Rolling Stock and Workshop

With the steady growth of traffic, rolling stock — locomotives, passenger and freight cars — has increased almost fourfold during the past twenty-four years. There are now in use 466 locomotives, 554 passenger cars and 3,134 freight cars.

The history of the Railway Workshops at Shakako, near Dairen,

the principal depot for the repairing, assembling and construction of rolling stock, was fully treated in the previous Report.

These shops have the capacity of executing repairs simultaneously on 27 locomotives, 36 passenger cars, and 130 freight cars, while at the same time constructing or repairing other railway material, mining machinery, etc. The Shakako shops are among the largest not only in the Orient, but in the whole Pacific area. Rolling-stock to-day is practically all supplied by this great shop. In addition, important orders have been filled for the Cho-sen Government Railways and the Chinese Government Railways. The Company has invested more than 6,500,000 yen in these works, where 1,499 Japanese and 1,476 Chinese per day are employed. The total expenditure of this workshop amounted to 1,753,000 yen in the fiscal year ending March 31, 1931.

### 71 Railway Rates

The Company, in fixing railway rates, discarded the mileage system and adopted the metric system on April 1, 1930. Rates for passengers at present are: first class, 4.4 sen; second class, 2.8 sen; third class, 1.55 sen per kilometre. Extra fares charged for travel on Express trains composed of excellently-equipped Pullman sleeping and dining cars are: ¥ 2.50 for first class; ¥ 1.50 for second, and ¥ 0.75 for third class up to 500 kilometres. Special reductions in rates are made from time to time to encourage local development and assist relief work. During the North China famine in 1920, a 50 per cent. reduction in freight rates on supplies moving into the famine district was made, while thousands of Chinese famine refugees were transported free of charge; and for the refugee immigrants driven out during 1926-7 from Shantung and Chihli provinces by the civil war, a 35 to 40 per cent. reduction was made, while children and aged persons were carried free.

Freight tariffs have undergone frequent changes. At present the American ton is used along with the metrical system in calculation of freight, one ton being equal to 907.2 kilograms. Commodities are divided into four classes, — medicines, silk goods, musical instruments, toys and the like, being grouped as first-class commodities; cotton goods, leather and furniture, second class; sugar, flour, beans, bean-cake and kaoliang, third class; and coal, bricks and lumber, fourth class.

Special goods, such as dangerous articles and the like are subjected to special rates ranging from 30 to 100 per cent. higher than the usual rate per ton of ordinary second-class consignments. The rates for piece and carload consignments now in force are as follow:

### CHARGES PER 100 KG. ON PIECE CONSIGNMENTS

Classes	1-150 kilometre sen	151-300 km. sen	301-600 km. sen	600 km. & upwards sen
1st class goods .....	0.650	0.625	0.600	0.575
2nd " " .....	0.520	0.500	0.480	0.460
3rd " " .....	0.390	0.375	0.360	0.345
4th " " .....	0.260	0.250	0.240	0.230

The tariff for carload consignment per km. per ton is as follows:

Classes	1-150 kilometre sen	151-300 km. sen	301-600 km. sen	600 km. & upwards sen
1st class goods .....	4.300	4.125	3.950	3.775
2nd " " .....	3.440	3.300	3.160	3.020
3rd " " .....	2.580	2.475	2.370	2.265
4th " " .....	1.720	1.650	1.580	1.510

### 72 International Through Traffic

International through routes for passengers and freight have been gradually established in co-operation with the various railways and sea lines to Chinese and Japanese ports and inland destinations, and to Europe and America. Supplementing international traffic being an important undertaking, the Company made constant efforts to this end, particularly in co-operation with Russia. When Baron Goto, the first President of the Company, went in May, 1908, to Petrograd, he made preliminary arrangements with Mr. Wentzel, Vice-President of the Chinese Eastern Railway, for direct through traffic between the South Manchuria and the Chinese Eastern Railways. In October, the Company inaugurated an express service between Dairen and Changchun, consisting of sleeping and dining cars of Pullman type, and connecting at Changchun with the Trans-Siberian trains of the International Sleeping Car and Express Train Co. and the Russian State Express. An efficient steamship service operated between Dairen and Shanghai; and another service was arranged between Dairen and Japan. By the rebuilding of the line from Mukden to Antung, and the opening of the great bridge across the Yalu in 1911, thus connecting the Manchuria and Cho-sen lines, which connect with the Imperial Government Railways of Japan through the channel-steamer service between Fusan and Shimonoseki, a new world highway system between Japan and Europe was established. In January, 1913, more detailed arrangements for through-traffic service of freight were made at Petrograd between the Japanese Government Railways, Korean Government Railways, South Manchuria Railways, Osaka Steamship Company, Chinese Eastern Railway, and Russian Volunteer Fleet. There was also a through-traffic arrangement for tourists between the Far East and Europe, via the Trans-Siberian Railway and returning via the Suez Canal, or vice versa. In this round trip, the North German Lloyd, Peninsular and Oriental Steam Navigation Co., and Messageries Maritimes participated. Round-the-world through-

traffic was also arranged by the participation of the Canadian Pacific Railway Co., and other companies with regular services on the Atlantic and Pacific. But the European war, and later the Russian political disorders, caused all these international through-traffic arrangements to be suspended.

Subsequently, the International Through-Traffic Railway Convention was concluded by the Second General Conference on Transportation of the League of Nations, held at Geneva in November, 1923, and to which the South Manchuria Railway Company adhered. Japan made persistent efforts to re-establish through-traffic between the Far East and European Russia; the Soviet Government recognized this necessity, but negotiations did not reach a practical stage until the preliminary arrangement was made in December, 1926.

To-day, travellers between Europe and Japan or China, taking the South Manchuria Railway, can save a great deal in both expense and time. The first-class fare from Tokyo to London is 743 yen, the time 15 days by rail, as against 1,200 yen and 30 days via America by steamer. From Shanghai to London, the fare is 600 yen; the time 15 days by rail, while the fare is 1,050 yen and passage 41 days by steamer, via Suez.

In order to avoid the cut-throat competition in transporting agricultural products in North Manchuria, the South Manchuria Railway and the Ussuri Railway in September 1925, made an agreement fixing the respective proportions of cargoes to be transported to Dairen and Vladivostok. The through-traffic arrangement was also made with the Supingkai-Taonan Railway of Chinese in 1929.

### 73 The Growth of Traffic

During the last twenty-four years, there has been a remarkable growth of traffic on the South Manchuria Railway, despite all obstacles to progress, the constant activities of Manchurian bandits, and the frequent threat of civil war. The number of passengers carried in 1929 was a record. The stupendous increase of freight, though augmented each year by shipments of coal mined by the Company itself, is due to the ever-increasing agricultural produce, especially the Manchurian bean. The increase of passenger traffic is principally due to the third-class passengers. On the other hand, first and second-class passengers show a decrease. The express train service, including Pullman cars and American dining and observation cars, is maintained for the international traffic, and is run at a loss. Figures for passengers and freight in 1929 were records, but in subsequent years there has been a falling-off.

The following table shows in greater detail the activities of the Company in regard to capital investment, passengers and freight, gross receipts and expenditures, and net receipts during the past twenty-four years:

Fiscal Year ending March 31.	Length of Lines open to Traffic Km.	Amount of Investment	Passengers		Profit per km.
			Number	Receipts	
1907-8	1,135.1	9,099,301	1,512,231	¥ 3,564,239	
1912-3	1,116.3	70,299,781	3,905,822	5,008,633	
1917-8	1,105.7	78,583,598	5,844,929	8,136,707	
1922-3	1,103.8	189,616,304	7,645,068	12,389,464	
1927-8	1,111.8	239,517,926	8,263,089	16,102,953	
1928-9	1,111.8	249,703,229	9,703,119	17,619,293	
1929-30	1,111.8	261,882,378	10,410,579	17,451,585	
1930-31	1,125.1 (690.8 miles)	270,230,961	8,115,808	11,461,175	

Fiscal Year ending March 31.	Freight		Total Receipts	Expenditures	Profits	Profit per km.
	Tons	Receipts				
1907-8	1,348,493	¥ 6,160,274	¥ 9,768,887	¥ 6,101,615	¥ 3,667,272	¥ 3,228
1912-3	4,247,236	13,913,341	19,907,456	7,846,923	12,060,533	10,804
1917-8	6,599,133	23,793,056	34,457,923	10,858,734	23,599,189	21,343
1922-3	10,926,199	69,518,111	87,813,029	34,169,285	53,643,744	48,600
1927-8	16,717,677	94,040,819	113,244,180	45,235,835	68,008,345	61,186
1928-9	17,530,324	97,738,147	118,639,090	44,358,065	74,281,024	66,830
1929-30	18,592,959	101,089,474	122,103,743	47,213,508	74,890,235	67,378
1930-31	15,193,272	77,936,688	95,330,730	36,768,576	58,562,154	52,190

The figures in "Profit" of the Railway Account alone much exceed the net profit of the Company, which bears overhead charges, interest on heavy liabilities in the form of debentures, and expenses for education, sanitation and other public works in the Railway Zone.

### 74 Dairen Harbour

The construction and administration of harbours in most countries are conducted by Governments. At the port of Dairen in the Leased Territory, however, harbour construction and administration are entrusted to the South Manchuria Railway Company, much as the Great Western Railway Co. carries on similar works at Cardiff, Port Talbot, and Barry Docks, in Great Britain. But the quarantine administration in Dairen harbour is wholly conducted by the Kwantung Government.

The Russians originally planned to make the port of Dairen (Dalny, as named by them) the southern terminal of the Chinese Eastern Railway, it being an ice-free port, of which they had dreamed for a century. Their investment in the development of the city and harbour of Dairen was estimated at over 30,000,000 roubles. When the harbour was placed under the Company's charge, it was far from being complete, only one pier having been finished, while quays and breakwaters were only partly constructed. The dredging of the harbour was also unfinished, the greater portion being untouched.

The Company, though it followed in the main the plan laid down by the Russians, immediately entered upon a comprehensive scheme of harbour improvement. Direct communication between land and sea being one of the Government requirements, it was provided that trains come direct to the steamer-side, that cargoes and passengers be transferred with the least delay. The breakwaters were improved and com-

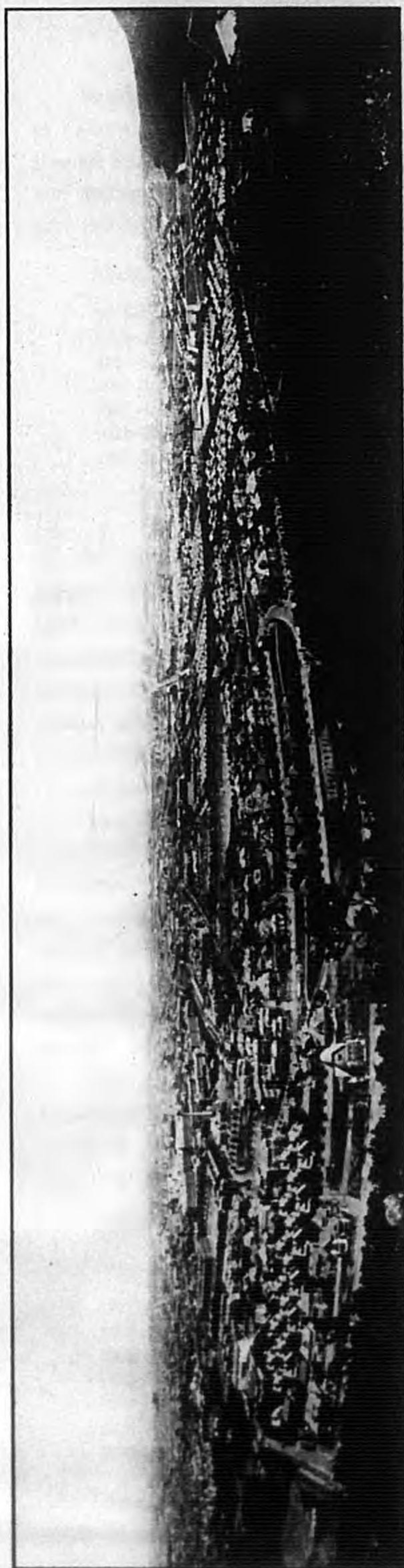
pleted in March, 1918, and the old Russian pier was reconstructed. Two new piers have since been built, and the fourth is now under construction, the completion of which is expected in the near future. Three wharves between four piers are also completed. The present breakwaters aggregate 15,272 ft., or 2.8 miles, and the area enclosed by them is a little less than 800 acres. The total length of berthing quays is 14,996 feet, which will be increased to 17,896 feet after the fourth pier is completed. At present steamers totalling 244,000 tons can be docked at one time, which will be increased to 337,000 tons with the completion of the work. Just outside the breakwater, there is a pier 1,116 feet in length reserved for loading and unloading oil and other combustibles. A wharf for junk cargoes, having the capacity of 300,000 tons a year, is also provided. Within the wharf compounds are 68 miles of railway to facilitate the shifting and handling of cargoes. For steamers discharging or loading in the harbour, there are fifteen steel lighters. There are also two 50-ton and five 5-ton floating cranes, and one 45-ton, one 27-ton and three 5-ton locomotive cranes on the quays. A number of electric and steam cranes have been installed on the piers to handle heavy cargo. Coal-shipping facilities include cardumpers having the capacity of supplying 1,800 tons per hour, and belt-conveyors with the capacity of 900 tons per hour.

In order to meet the steady increase in the output of Fushun Coal and to facilitate its quicker shipment, a separate coal pier with up-to-date mechanical loading devices has been constructed at Kanseishi (Kanchingtzu in Chinese pronunciation), across the bay from Dairen, at a cost of 12,042,732 yen. Kanseishi Pier has a loading capacity of 12,500 tons per day, or 3,800,000 tons annually, with room for extension that will increase the annual capacity to 5,000,000 tons. The Pier can berth four steamers of from 5,000 to 10,000 tons at one time. Full details of this Coal Pier were given in the previous Report.

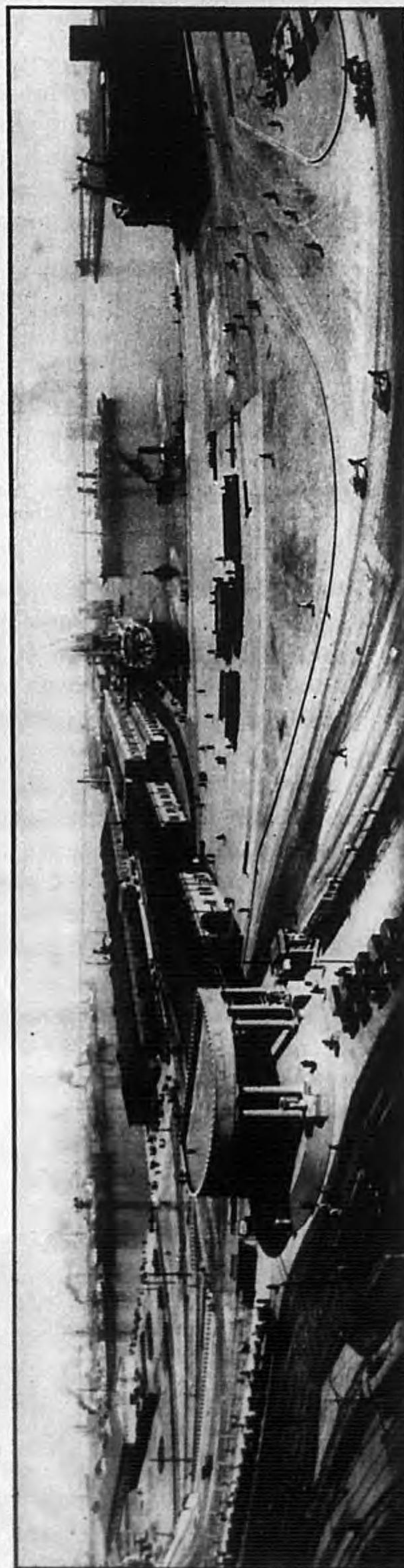
The Company's investment in harbour and wharf development at the port of Dairen up to March, 1931, aggregated 72,000,000 yen. If expenditure incurred on the piers constructed by the Company at Yingkou, Antung, Port Arthur, and Shanghai be added, the total investment amounts to over 83,000,000 yen.

The progress of the wharfage traffic at the port of Dairen may be gathered from the following table:

Fiscal Year ending March 31.	Number of Steamers arriving	Tonnage of Goods		
		Imported Tons	Exported Tons	Total Tons
1907-8 .....	1,143	599,188	320,764	919,952
1912-3 .....	1,968	468,368	1,509,519	1,977,887
1917-8 .....	2,072	892,041	2,429,145	3,321,186
1922-3 .....	3,171	724,154	5,222,253	5,946,407
1927-8 .....	4,224	1,076,141	7,299,912	8,376,053
1929-30 .....	4,925	1,595,413	8,344,772	9,940,185
1930-31 .....	3,811	886,412	4,985,920	5,872,332



Bird's-Eye-View of City of Dairen



Bird's-Eye-View of Dairen Harbour

In addition, the Company conducts an extensive warehousing business at Dairen and the principal stations along the railway which will be treated in the following section. Receipts, including anchorage, wharfage, and storage charges, in Dairen and other ports, together with expenditures and profits in five-year intervals, are shown in the following table:

Years	Receipts	Expenditures	Profits
	Yen	Yen	Yen
1907-8 .....	572,493	560,151	12,342
1912-3 .....	1,688,720	1,489,384	199,336
1917-8 .....	3,499,934	3,106,862	393,072
1922-3 .....	8,674,535	7,392,162	1,282,373
1927-8 .....	10,275,943	9,305,782	970,161
1929-30 .....	12,276,104	8,708,247	3,567,857
1930-31 .....	8,558,705	6,737,631	1,821,074

### 75 Warehousing

Warehousing facilities, originally in a very crude state, have been greatly developed since the Company assumed the management of this business in November, 1911. On the piers, and within the wharf compounds, Dairen harbour to-day has 75 warehouses with floor space aggregating 371,161 square metres. In addition, there are 98 warehouses with floor space aggregating 125,789 square metres at the leading stations along the railways.

In order to facilitate the shipment and marketing of soya beans, the Company inaugurated a so-called mixed storage system, first at the Dairen wharves in 1913, which was later extended to Mukden, Tiehling, Kaiyuan, and other centres on the main line. By this system, beans are graded and classified at receiving points according to qualities and weight, and receipts, negotiable at the bank, are issued, which call for the delivery of like quantities and qualities at terminal points. The system was later introduced for the storage of beancake, bean oil, and wheat.

The cargoes handled at the warehouses now amount to over 11,600,000 tons a year, 60 per cent. of which are beans and bean products.

The table below shows the growth of the Warehousing business:

Years	Cargo remain- ing from previous year	Cargo Received	Total	Cargo taken out
	Tons	Tons	Tons	Tons
1911-2 .....	6,810	652,075	658,885	515,573
1912-3 .....	143,312	879,251	1,022,563	904,358
1917-8 .....	300,662	3,023,668	3,324,330	2,864,103
1922-3 .....	583,808	4,729,888	5,313,696	4,853,348
1927-8 .....	555,536	4,786,631	5,342,167	4,824,715
1929-30 .....	494,602	5,010,469	5,505,071	5,091,582
1930-31 .....	413,489	3,573,468	3,986,957	3,466,862

The Company inaugurated in 1911 a scheme of fire insurance on goods in storage under custody free of expense to shippers.

The following table shows the amount thus insured and premium paid by the Company during the last fourteen years:

Fiscal Year	Amount Insured	Premium paid by Company
	Yen	Yen
1917-8 .....	32,543,240	114,116.20
1922-3 .....	30,255,680	187,101.78
1927-8 .....	35,830,254	113,140.52
1928-9 .....	43,159,558	145,520.67
1929-30 .....	37,204,044	138,325.21
1930-31 .....	26,066,503	101,135.28

### 76 Fushun Coal Mining

The most important undertaking of the Company, next to the railway, is coal mining, carried on at Fushun and Yentai. Capital investment in this industry amounted to 117,000,000 yen at the close of the fiscal year ending March 31, 1931. The Company is fortunate in operating a rich coal-bed like that at Fushun, the largest open cut in the world. Fushun lies in the valley of the Hun River, a little over thirty miles east of Mukden. It runs east and west about 10 miles parallel with the river and from north to south  $2\frac{1}{2}$  miles, covering 23 square miles. The seam is interbedded in the tertiary stratum with a northerly dip of about 30 degrees, and with an average thickness of 130 feet, the thickest part being 430 feet. The general thickness of coal seams in Germany, Great Britain, and the United States is said to be from two to forty feet. Whatever the facts, the deposit in Fushun is exceedingly large, a careful estimate placing the figure at 952,000,000 tons. About 81,000,000 tons have been mined during the last quarter-century, so that more than 871,000,000 tons of deposits remain. Probably no similar deposit can be found anywhere in the world in such a relatively small area.

The district has a long history. Coal was first worked by Koreans some 600 years ago, and was used for the baking of earthenware. Three hundred years later, further digging was prohibited for the curious reason that it was near the mausoleum of a Manchu Emperor, built in the suburbs of Mukden. Prior to and during the Russo-Japanese war, the mines were operated by Russians on a small scale for their own needs, the daily output amounting to 300 tons. After the war, the Japanese military authorities carried on the mining until it was turned over in 1907 to the South Manchuria Railway Company, together with the Yentai and other minor fields. Then it entered on an era of large-scale production on a scientific basis, the pits being equipped with modern machinery, mostly imported from the United States and Germany.

As a first step to the most advanced scientific and technical operation, Dr. Buichiro Matsuda, chief engineer of the Mitsubishi Mining Co., was invited by the Company to occupy the post of Superintendent-General of the Mine in January, 1907. Dr. Matsuda lost no time in

applying what was known as the first stage of the programme for developing the mine. By this the Company improved three old pits and opened two new pits on a large scale; one of these was named the Oyama Pit, the other, the Togo Pit. This programme was completed in 1912 at the cost of 9,200,000 yen, and the daily output was increased from 360 to 5,000 tons.

Pressed by the increasing demand, however, the Company, as the second stage in developing the Fushun Mine, introduced the open-cut mining method at two places, besides opening three new pits. As the result of this improvement, the average capacity of production increased to about 7,000 tons, or three million tons annually, in 1918. But the demand for coal continued to increase, due to industrial expansion in Manchuria and Korea, and also to the greater use of coal by the natives, in place of their former fuel, kaoliang stalks. Industrial expansion necessitated the import of coal into Manchuria to the extent of 150,000 tons in 1918, and 490,000 tons in 1919. To meet the ever-increasing demand from growing industries, particularly that of the Anshan Iron Works, the Company planned another expansion. This resulted in the so-called "Ten-Year Programme" drawn up in 1919 and modified and enlarged in 1928 by the former President, Mr. Yamamoto, as the third stage of mining development, by which the excavation of a large shaft at Lunfeng, the open-cut of the remaining seam extending from Kuchengtzu to the Yangpaipu rivulet, and the extension of the open-cut of Chienchinchai so as to connect with that of Kuchengtzu, were to be worked. With the completion of this scheme, the annual output from Fushun Mines, excluding Yentai Mines, is expected to be over 8,000,000 tons in the fiscal year 1933.

The following table in English tons shows the quantity of coal produced and sold:

Fiscal Years	Quantity of Coal transferred from previous year	Quantity of production	Quantity purchased	Total	Quantity sold
1907-8 .....	18,712	233,325	—	233,325	202,320
1912-3 .....	367,541	1,513,254	88,350	1,601,604	1,641,902
1917-8 .....	134,192	2,389,584	364,191	2,753,775	2,718,270
1922-3 .....	682,938	3,921,727	362,727	4,284,454	4,555,010
1927-8 .....	466,672	6,982,870	573,858	7,556,728	7,429,624
1929-30 .....	652,031	7,032,100	1,110,578	8,142,678	7,991,786
1930-31 .....	779,645	6,773,100	913,881	7,686,981	7,259,451

The table in the following page shows the growth of the mining industry at intervals since 1907:



Fiscal Years	Receipts			Total	Expenditures	Profits
	Sale of Coal	Sale of other Minerals	Other			
	Yen	Yen	Yen			
1907-8 ...	1,318,676	—	215	1,318,891	765,886	553,005
1912-3 ...	9,156,631	—	37,122	9,193,753	7,347,091	1,846,662
1917-8 ...	20,030,480	294,042	43,941	20,368,463	15,047,917	5,320,546
1922-3 ...	51,665,247	202,724	1,271,952	53,139,923	46,424,196	6,715,727
1927-8 ...	80,509,052	273,110	2,005,257	82,787,419	73,039,119	9,748,300
1929-30 ...	81,379,322	558,662	2,426,681	84,364,665	72,089,548	12,275,116
1930-31 ...	61,322,876	444,230	674,055	64,441,161	60,627,989	1,813,172

It will be seen that the figures for the fiscal year 1930-31 fell off significantly owing to the world economic depression.

It is of interest to note the disposal of the coal sold in the fiscal year 1930-31. Of 7,259,451 tons sold, Manchuria consumed 3,066,992 tons, of which 1,361,596 tons were for account of the S.M.R. itself, 65,021 tons were used by employees, and 1,640,375 tons by other consumers. Exports amounted to 3,643,865 tons, of which Japan proper purchased 712,047 tons, Korea 357,972 tons, Formosa 38,122 tons, North China 146,584 tons, South China 1,194,084 tons, while 177,055 tons went to points in the South Seas. More than 548,594 tons were furnished to steamers for bunker coal.

#### 77 Shale Oil Plant

The last Report fully treated the completion of this plant. At Fushun Mine, there are huge reserves of oil shale immediately above the coal bed. The Fushun oil shale, running east and west for ten miles and north and south for one mile, being 450 feet deep in the thickest part, is estimated at as much as 5,300,000,000 tons. This shale contains an average of six per cent. oil, the upper part of the seam containing 10-12 per cent. and gradually being reduced to 1 or 3 per cent. at the lower level, besides 0.55 per cent. nitrogen.

Since 1911, there has been much investigation and experimental work in connection with the new industry. But the practical development of plans was deferred until the former President, Mr. Yamamoto, finally decided to establish a shale oil plant at Fushun to manufacture about 70,000 tons of fuel oil and by-products: 18,000 tons of ammonium sulphate, 15,000 tons of crude paraffin, and 5,000 tons of coke. Oil production is to be gradually increased. Construction work for the shale oil plant was commenced in April, 1928, and completed by November, 1929, at a cost of 8,824,461 yen. The crude paraffin is shipped to Tokuyama, Japan, where the Japan Paraffin Refining Company (incorporated in February, 1929, with the paid-up capital of 2,000,000 yen) is expected to convert the raw material into 6,300 tons of refined paraffin and 7,500 tons of fuel oil per year.

This plant, for the first time, in 1930 produced 28,578 tons of heavy oil, 10,606 tons of crude paraffin, 13,332 tons of ammonium sulphate

and 2,685 tons of coke. The total income of the plant was 2,615,401 yen and expenditure 2,582,832 yen, leaving a profit on operation of 32,568 yen.

#### 78 Anshan Iron Works

The iron works at Anshan, producing pig-iron by utilizing local ore of low percentage was established in 1918. The total capital invested up to 1926, amounting to 45,900,000 yen, has been spent on this iron works, which contain two blast furnaces, a concentration plant, four coke ovens, each with a daily capacity of 700 tons; by-products plants, gas works, electric plant, etc. There are thirty-five miles of railway connecting the mines with the works. When the plant first began producing in the fiscal year 1919, the price of pig-iron was on the decrease and ultimately fell from 440 yen a ton during the European war to 50 yen owing to the world-wide post-bellum depression. Under such discouraging conditions, the loss account continued almost to a hopeless extent.

Mr. Yamamoto, who had assumed the presidency of the Company and acted during 1927-29, adopted an optimistic policy on the industrial basis that the annual production should be augmented, while minimizing expenditure as far as possible by cutting the price of coal supplied by the Company and reducing the salaries of the higher employees. On the other hand, the capital stock was reduced from 45,000,000 yen to 20,700,000 yen. It was also decided to construct a larger up-to-date blast furnace capable of producing 500 tons per day, for which Mr. P.F. Kohlhaas, an American engineer, who had had much experience in America, and with the Tata Iron Works (India), was engaged as consulting engineer. Construction of the new blast furnace was completed on March 9, 1930, at a cost of 4,300,000 yen. The output of pig-iron for the fiscal year 1927 increased to 203,454 tons, and loss account was reduced to 157,542 yen. In the following year, a profit was earned amounting to 1,200,000 yen, production being 224,461 tons. But owing to the ever-falling price of iron, the profit for the year 1929 fell off to 540,000 yen. In last fiscal year, the output was increased by the operation of the new furnace, but in this year a loss was incurred amounting 666,000 yen, owing to the continuance of the world-wide economic depression. Moreover, the industry was handicapped by the export duty levied by the Chinese Government, as most of the product was exported to Japan.

The following table reveals the general condition of the Iron Works at Anshan:

Year	Annual Production Tons	Income	Expenditures	Loss or Profit
		Yen	Yen	Yen
1919-20	31,620	2,796,224	4,283,392	-1,487,168
1920-1	75,273	1,580,655	8,003,233	-6,422,577
1921-2	57,184	3,606,999	6,430,725	-2,823,726
1922-3	66,543	3,386,935	6,585,278	-3,198,343
1923-4	72,311	3,703,690	5,944,588	-2,240,897
1924-5	94,501	4,430,753	7,886,361	-2,955,607
1925-6	88,263	3,986,931	7,706,920	-3,719,989
1926-7	162,455	6,896,504	10,703,098	-3,806,594
1927-8	203,454	9,223,114	9,380,656	-157,542
1928-9	224,461	9,740,521	8,524,910	+1,215,611
1929-30	210,443	8,939,706	8,397,103	+542,603
1930-31	288,433	6,641,289	7,307,922	-666,633

### 79 Public Services in the Railway Zone

The Government-General of the Kwantung Leased Territory was established in 1906, and its police administration and communications undertakings, such as post, telegraph, and telephone, were extended to the Railway Zone.

Other departments of the administration in the Railway Zone were entrusted to the South Manchuria Railway Company. Thus the Company assumed the responsibility of providing the Zone with educational and sanitary undertakings, town construction and other public works, besides various undertakings for industrial and agricultural encouragement. In these public services, the Company has during the last twenty-four years invested more than 176,500,000 yen, of which 132,000,000 yen were for city and town construction; 14,700,000 yen for hospitals; 14,200,000 yen for schools and libraries; 8,100,000 yen for houses and land for lease; 6,000,000 yen for the Central Laboratory, model farms, and experimental stations for agriculture, live stock, and afforestation.

For these public services in education, sanitation, public works, and the encouragement of agriculture and industry, the Company collects house rent and fees from hospitals, schools, and other sources. Any deficit is defrayed by the Company, and such deficit to-day amounts to more than ten million yen a year.

The following table shows the increase of expenditure on public services in the Railway Zone:

Year	Fees, Rent, etc.	Expenditures	Deficit defrayed by Company
1907-8	120,794	251,006	130,212
1912-3	633,211	1,401,012	767,800
1917-8	1,930,284	3,538,709	1,267,560
1922-3	3,995,249	10,831,659	6,836,410
1927-8	6,098,234	19,104,444	13,006,210
1928-9	6,230,083	19,425,207	13,195,124
1929-30	4,689,833	18,288,336	13,598,503
1930-31	4,586,369	15,305,429	10,719,060

### 80 Educational and Hygienic Work

Of the expenditure for the fiscal year ending March, 1931, amounting to 15,300,000 yen, about 1,408,000 yen were allotted to educational expenses, 1,851,000 yen for hospital and other hygienic purposes; 3,098,000 yen for subsidy to local administrative management, and 333,000 yen for the Central Laboratory. The educational and hygienic work undertaken by the South Manchuria Railway Company will be more fully dealt with later in the chapters on Education and Sanitation.

### 81 Town Construction

As already stated, the Company is entrusted with the management of the Railway Zone, including the towns therein.

In order to promote the prosperity and well-being of the Railway Zone, the Company took a serious step in creating modern towns or improving existing towns along the railway to the extent of making them habitable and comfortable. During the Russian *régime*, Newchwang and Dairen were the only places opened to trade and residence. Besides the stations along the railway, the Russians had established small settlements at Port Arthur, Liaoyang, Wafangtien, Tashihchiao, and Kungchuling, but these chiefly consisted of residences for the railway employees and barracks for soldiers, and were by no means commercial settlements. After the management of the Railway Zone had been taken over from the Japanese Army, the Company planned to build modern cities or towns at Mukden, Liaoyang, Changchun, Antung, and other places. In the beginning it followed the Russian plan, consisting of central circles whence streets radiate like a spider-web, but ultimately the rectangular block system was adopted. These modern towns had not only to be provided with wide and well-paved streets, parks, market quarters, cemeteries, and other necessities, but lighting and electric power were necessary. Thus electric plants and gas works have been established in Dairen, Mukden, Changchun, Antung, and other places, and the Company has also given aid in the establishment of electric plants and tram systems by private enterprise.

To waterworks and sewage systems the Company has paid special attention with a view to the perfection which is a necessity of the modern towns in the Railway Zone. The waterworks originally built by the Russians at Port Arthur were enlarged and improved by the Kwantung Government, including that in Dairen. Modern waterworks have been constructed at Mukden, Liaoyang, Antung, Changchun, and other leading towns, while in smaller towns modern wells have been sunk to meet the needs of the inhabitants.

The town planning undertaken by the Company has involved heavy expenditure, the cost to the Company to date exceeding 132,000,000 yen. If investments in electric plants, gas works, and others which

have been separated and handed over to independent concerns be included, the total investment in connection with the building of modern towns by the South Manchuria Railway Company amounts to more than 200,000,000 yen.

### 82 Local Administration

In 1907, when the Company took over charge of the Railway Zone administration, there were settlement councils at several centres along the Railway. The Company caused them to act as its agents, but discontinued their services in October of the same year. The Company established in their place district agencies at Liaoyang, Mukden, Changchun, and four other towns for the purposes of local administration. These district agencies were gradually increased, and are maintained to-day at thirteen railway towns, including Antung, Newchwang, Tashihchiao, Kaiyuan, and Ssuping kai. At Fushun, the General Office of the Collieries undertakes similar local administration. Where there is no district agency or sub-agency, the station-master supervises part of the business of a district agency. Each district agency has a Local Committee, the members of which are elected by the tax-payers in the district, and in the fixing of the annual budget of the district the Local Committee is consulted. The idea is to cultivate the spirit of self-government among the residents, disregarding nationality — Chinese, Japanese, or European.

For the maintenance of the administration, each local authority is empowered by the Government to collect taxes, fees, licenses, etc., and to make other necessary assessments upon the residents within the Zone, subject to Government sanction, in order to cover its outlays. Any deficit is borne by the Company, and such deficit for last fiscal year amounted in the aggregate to more than 3,098,000 yen.

### 83 Experimental Laboratories, Model Farms, Research Work

With a view to improving and encouraging agriculture and industries suitable to the conditions of Manchuria and Eastern Inner Mongolia, the Company has established a number of experimental laboratories and model farms in Dairen, and at places in the Railway Zone. Other scientific institutions conducting research work on economic questions or in connection with the historical survey of Manchuria, Mongolia, and the Far East in general, are also established.

The Central Laboratory at Dairen conducts experiments and analytical tests for the advancement of agricultural and industrial development; the Geological Institute, also at Dairen, is devoted to geological work and survey of the mineral resources of Manchuria; and the Eastern Asia Economic Research Bureau in Tokyo, and the Research Office attached to Main Office of the South Manchuria Railway in Dairen

continue the work carried on for years past. Detailed accounts of these institutions were given in the former Report.

### 84 Affiliated Undertakings

Electric plants, gas works, marine transportation, docks, street-car services, and the hotel business, were in their beginning undertaken directly by the Company as activities subsidiary to its main business. When they had made certain development so that they could independently carry on, the Company took steps gradually to make them independent concerns. Besides these undertakings, the Company is concerned directly or indirectly with industrial and commercial corporations by supplying the whole or part of the capital, in order to encourage industrial, commercial and agricultural development in Manchuria. The total investment in these affiliated undertakings amounts to some 83,000,000 yen; in addition, more than 4,000,000 yen have been invested in other associated concerns.

### 85 Electric Plants and Gas Works

The South Manchuria Electric Company became an independent concern in 1926, with the authorized capital of 25,000,000 yen, of which 22,000,000 yen was paid up. It has large power plants at Dairen, Mukden, Changchun, and Antung which to-day produce 92,814,280 K. W. H. and practically illuminate the main cities and towns throughout the Leased Territory and the Railway Zone. Despite the world depression which has affected adversely so many undertakings, the Company was able to continue the regular 8 per cent. dividend in 1930. Gas work plants, originally maintained by the South Manchuria Railway at Dairen, Mukden, Antung, and Changchun were separated in June, 1925 and brought under an independent concern named the South Manchuria Gas Company, with authorized capital of 10,000,000 yen. These plants produced during the working year 1930 the aggregate quantity of 383,000,000 cubic feet of gas, and 23,109 families were served.

### 86 Dairen Steamship Company and Dockyard

The South Manchuria Railway Company at the outset felt it a duty to participate in the international railway service between the Far East and Europe. This induced the Company to institute a regular steamship service between Dairen and Shanghai, which was undertaken in August, 1908, by chartering three steamers from the Nippon Yusen Kaisha, thus establishing the shortest route between Europe and Shanghai. In December, 1914, Tsingtao was included in this service as a port of call. Meanwhile the Company built more advanced turbine steamers, which replaced the chartered steamers. In 1915, the Dairen Steamship Company was organized, steamers engaged in coastal trade in North China being purchased, and the operation of the Dairen-Shanghai

line was handed over to this company in February, 1918. Six services are now maintained by the Company. They are, Dairen-Tientsin, Dairen-Tsingtao-Shanghai, Dairen-Tientsin-Antung, Dairen-Hongkong, Dairen-Lungkou (near Chefoo), and Newchwang-Dairen-Kobe.

The Dairen Steamship Company to-day owns 41 steamers with aggregate tonnage of 126,689 tons, and charters 13 steamers with aggregate tonnage 36,138 tons. Its authorized capital is 25,000,000 yen, of which 13,750,000 yen is paid up.

The Manchuria Dock Company maintaining dockyards in Dairen and Port Arthur, was amalgamated with the Dairen Steamship Company in September, 1931.

### 87 Hotel Facilities in South Manchuria

The South Manchuria Railway Company from the beginning having charge of part of the international traffic route, engaged in the hotel business rather for the public service than for profit-making. In fact, the expenses of this undertaking each year have exceeded receipts, except in the prosperous years 1917 and 1918. The hotel system maintained by the S. M. R. was made an independent concern in January 1929 under the name South Manchuria Hotel Co., but in April, 1931 was transferred back to the management of the parent company.

The Yamato Hotel at Dairen was opened in August, 1907, but the popularity of the new route between Asia and Europe soon proved the original building to be too small to meet the ever-increasing demand. A new building was therefore planned, and the present elegant structure of the Dairen Yamato Hotel, fireproof, and in modern Renaissance style, with all necessary equipments and comforts, was completed in June, 1914, and was opened on the 1st August. The Yamato Hotels at Port Arthur and Changchun were opened in 1908. The Yamato Hotel in Mukden, which forms part of the railway station, was opened in October, 1910. This station hotel being unable to meet the requirements of increasing travel, the building of a new hotel, of modern Renaissance type, steel-concrete construction, was begun in 1928, and completed in May, 1929 at a cost of 1,800,000 yen, exclusive of 250,000 yen for furnishing.

### 88 Showa Steel Works

Japan, with her remarkable industrial growth, found the domestic supply of steel far short of the home demand. In order to meet a part of the deficiency, Mr. J. Yamamoto, one of the former Presidents of the S. M. R. (1927-29), devised a plan in 1929 to set up a steel plant, utilizing the ore of Anshan iron mine. The original plan was to expand the pig-iron plant maintained at Anshan. But owing to the apprehension that the export duty on iron and steel products might be increased at any time since China had acquired tariff autonomy, it was proposed

that the plant be established at Shingishu, Korea, with the authorized capital of 100,000,000 yen. Government approval was obtained on July 4, 1929. The ultimate capacity of the plant will be 500,000 tons of pig-iron, 570,000 tons of steel, 500,000 tons of sheet-iron, and 200,000 tons of sulphate of ammonium. Of the capital, 100,000,000 yen, 25,000,000 yen has already been paid up and necessary machinery purchased and imported. But owing to the world-wide economic depression, and for other reasons, completion of the plant has been deferred.

### 89 Warehouse and Wharf in Japan

The ever-growing demand in Japan for Manchurian products such as beans, beancake, coal and others, necessitated maintaining independent facilities for landing and warehousing Manchurian products in Japan. The Japan and Manchuria Warehouse Company (Nichi-Man Soko Kaisha) was established on July 9, 1929, with the authorized capital of 5,000,000 yen, of which 2,000,000 yen has been paid up. The Company selected a reclaimed site at Kawasaki between Tokyo and Yokohama, for landing and warehousing facilities, and construction work is progressing.

The Hanshin Harbour Construction Company was established July, 1929, at Naruo, near Kobe, with the authorized capital of 10,000,000 yen, of which one quarter has been paid up. But the necessary work of reclamation has not yet been commenced.

## VII TRADE

### 90 General Remarks

The trade of Manchuria, which maintained an unbroken record of progress up to 1929, fell off in 1930 owing to the world-wide depression, coupled with the ever-falling price of silver which especially affected Manchurian trade. While figures for 1931 are not yet available, continued depression is revealed in returns for the port of Dairen which fell off more than 26 per cent. as compared with the amount of trade of the previous year.

The Russo-Japanese war, which marked a new epoch in the history of Manchuria, politically and economically, introduced a most radical change in the tradal situation, especially after the opening of Dairen as a free port. On Japanese initiative, more than twenty ports and marts have been opened in connection with trade in Manchuria since the war. Prior to the Russo-Japanese war, Newchwang was the only port in Manchuria opened to foreign trade. Newchwang and Tientsin were opened at the same time as early as 1861, and each had a great hinterland of which it was the outlet, but while the trade of Tientsin markedly increased, maintaining a position next to Shanghai, the increase of the trade in Newchwang was slow, the percentage of this port's trade to China's total trade being less than 10% for many years. The position of Newchwang, indeed, handicapped its trade. The port is situated several miles up the Liao River, where the fairway is too narrow to admit of navigation by large steamers, and, what is worse, it is ice-bound during four months in the year. It was the opening of Dairen and other ports to foreign trade that brought about such a stupendous growth of trade as has been experienced in Manchuria.

The harbour of Dairen, much favoured by nature, naturally deep, well-sheltered, and free from ice all the year round, was further improved at heavy expenditure; and, as the most important gateway of the South Manchuria Railway, the main line of which traverses the heart of South Manchuria, the port has come to rank as one of the leading ports in the Pacific area.

By the agreement with Japan, signed on May 30, 1907, China established an office of the Imperial Maritime Customs at Dairen, and levied Customs duty on all merchandise passing the frontiers of the Leased Territory into the interior of Manchuria.

In 1908, one year after the opening of Dairen, the total trade of Manchuria increased to 100,707,000 Tls., i. e., 12 per cent. of the total trade of China; the proportion increased to 17% in 1913, 19% in 1920, and 21% in 1929.

The whole trade of China aggregating about 2,920,000,000 Tls. (including domestic trade) in 1930, Manchuria's trade amounted to 703,000,000 Tls. of which 422,000,000 Tls. was the share of Dairen. In most years Dairen's share amounted to about 60% of Manchuria's total trade.

The supremacy in foreign trade of Dairen, however, did not affect adversely the position of Newchwang, where trade has increased as a whole, especially in recent years. Nor has the trade ascendancy of Dairen affected Vladivostok, the terminal of the Chinese Eastern Railway, where the transit of agricultural produce of North Manchuria passing through Harbin and Suifenhö (Pogranitchinaya) has steadily increased in recent years. The opening of the port of Dairen and other ports simply enlarged the opportunities for trade, of which so keen a commercial people as the Chinese took every advantage.

The growth of the foreign trade of Manchuria, including trade with China proper, during the past twenty-four years, is set forth in the table attached, calculated in Haikwan Taels:

	Imports	Exports	Total	Balance
1907 .....	30,685,152	22,042,323	52,727,475	- 8,642,829
1908 .....	53,112,034	47,585,123	100,697,157	- 5,526,911
1909 .....	69,159,331	83,026,018	152,185,349	+ 13,866,687
1910 .....	81,731,940	88,999,422	170,731,362	+ 7,267,482
1911 .....	94,797,846	103,733,492	198,531,338	+ 8,935,646
1912 .....	102,232,018	100,166,041	202,398,059	- 2,065,977
1913 .....	125,683,660	113,041,999	238,725,659	- 12,641,661
1914 .....	112,409,981	109,331,936	221,741,917	- 3,078,045
1915 .....	108,111,646	130,084,502	238,196,148	+ 21,972,856
1916 .....	129,555,872	130,807,129	260,363,001	+ 1,251,257
1917 .....	158,562,010	161,120,501	319,682,511	+ 2,558,491
1918 .....	177,219,156	166,856,166	344,075,322	- 10,362,990
1919 .....	231,303,593	212,008,762	443,312,355	- 19,294,831
1920 .....	205,129,451	225,926,429	431,055,880	+ 20,796,978
1921 .....	218,187,674	234,407,892	452,595,566	+ 16,220,218
1922 .....	196,432,072	274,661,906	471,093,978	+ 78,229,834
1923 .....	207,055,228	293,928,940	500,984,168	+ 86,873,712
1924 .....	200,648,460	269,018,082	469,666,552	+ 68,369,612
1925 .....	244,721,505	312,368,194	557,089,699	+ 67,646,689
1926 .....	276,840,619	370,742,398	647,583,017	+ 93,901,779
1927 .....	268,913,586	408,036,179	676,949,765	+ 139,122,593
1928 .....	302,955,904	434,035,424	736,991,328	+ 131,079,520
1929 .....	329,603,869	425,651,491	755,255,360	+ 96,047,622
1930 .....	306,354,620	396,714,056	703,068,676	+ 90,359,436

In the above table, it will be seen that the most encouraging aspect of Manchuria's trade is the excess of exports over imports, quite contrary to the trade in China proper, Japan, and Korea, where imports invariably exceed exports. Manchuria has experienced an excess of imports only in those years marked by heavy purchases from abroad—rails, rolling stock, and machinery from America and Europe, imported mostly by the South Manchuria Railway Company.

### 91 Trade According to Countries

When Newchwang was the sole open port in Manchuria, its staple trade was the export of Manchurian beans and beancake to the southern provinces of China, where the beancake was extensively used as fertilizer for the sugar plantations. Beans were consumed in southern mills for oil extraction, the product being used as a substitute for groundnut oil. The imports at this port were cotton goods of low grade—sheeting and drills—chiefly from England. Later on, American cheap sheeting and drills entered in competition. The trade with Japan was insignificant until after the Sino-Japanese war of 1894-5. Japan gradually became a heavy purchaser of Manchurian beans and beancake, and her purchases in 1898 equalled those of all the Chinese provinces. In 1903, the year before the Russo-Japanese war, Japanese purchases exceeded those of China proper, and ever since Japan has been the largest buyer of Manchurian bean products. European countries also became steady buyers of the Manchurian beans following the war, the Mitsui Firm of Japan having made a trial shipment to Liverpool in 1908.

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

Before the outbreak of the European war, the Japanese cotton industry had so successfully competed with its rivals, that almost all cotton goods, except the finest kind, were supplied by Japan. The war in Europe, crippling the cotton mills in Western countries and also ocean transportation, gave Japan the indisputable supremacy in this Far Eastern market. But it should be remembered that the more the importation of Japanese cotton goods in Manchuria, the greater the purchase of American and Indian raw cotton by Japan. China has also become an important manufacturer. Of the total import of cotton piece goods for 1930, amounting 54,000,000 Tls., those manufactured in China proper and imported to Manchuria were valued about 22,000,000 Tls.,

against 30,370,000 Tls. of Japanese imports and 1,690,000 Tls. of Russian imports. The imports of cotton yarn amounted to 10,900,000 Tls., of which China proper's share was 8,500,000 and Japan's share 2,300,000 Tls.

It is worthy of note that the decrease of imports of English and American cotton goods did not affect the gross value of British and American trade in Manchuria. Trade was mostly on the increase in other lines. Imports of machinery and other iron manufactures from America and Europe were steadily maintained, particularly when the South Manchuria Railway Company commenced its varied undertakings in railway, harbour, coal-mine and iron-works developments, involving heavy investments in rails, rolling stock, and machinery. It is a matter of interest that the value of material purchased by this Company during the twenty-two years ending March 31, 1929, aggregated over 501,852,000 yen, of which goods to the value 129,094,000 yen were imported direct from the United States, 28,400,000 yen from Great Britain, 13,384,000 yen from Germany, 193,337,000 yen from Japan and 43,000,000 yen from other countries, including China, France and Belgium.

The total imports of American and European products are actually greater than the Customs returns, because machinery and railway materials, other steel manufactures, oil, woolen and other goods of American or European origin shipped to Kobe and Shanghai and re-shipped to Manchuria, are not generally recorded in the Customs returns. The United States Consular authority at Dairen estimated that such indirect imports of American origin into Manchuria for 1928 were valued at 3,000,000 American dollars.

The total trade of Manchuria for 1908 was figured at 100,697,157 Tls.; for 1929 the return increased to 755,255,366 Tls., but fell off to 703,068,676 Tls. in 1930. The growth during the last twenty-three years according to countries is shown in the following table:

Years	1908			1930		
	Imports	Exports	Total	Imports	Exports	Total
Great Britain	534,684	355,950	890,634	10,484,142	10,385,259	20,869,401
Hongkong	2,037,838	846,123	2,883,961	12,831,404	6,727,569	19,558,973
India and B. Colonies	21,166	5,469	26,635	1,365,013	770,417	2,135,430
Total	2,593,688	1,207,542	3,801,230	24,680,559	17,883,245	42,563,804
Denmark	1,584	—	1,584	123,717	293,860	417,577
Japan	13,553,331	16,769,248	30,322,579	110,006,220	116,815,785	226,822,005
Korea	1,140,562	422,524	1,563,086	10,402,751	42,515,846	52,918,597
Total	14,690,893	17,191,772	31,882,665	120,408,971	159,331,631	279,740,602
Russia	7,490,392	10,499,885	17,990,277	15,771,838	50,796,448	66,568,286
U. S. A.	6,774,292	411	6,774,703	20,729,138	6,990,048	27,719,186
Philippines	1,286	—	1,286	45,446	1,711,713	1,757,159
Total	6,775,578	411	6,775,989	20,774,584	8,701,761	29,476,345
Germany	150,905	256	151,161	12,131,784	3,386,919	15,518,703
Belgium	14,584	18,635	33,219	3,701,696	1,638,484	5,340,180
Netherlands	—	—	—	1,468,298	34,733,589	36,201,887
Dutch India	244,141	2	244,143	3,072,021	6,121,547	9,193,568
Total	244,141	2	244,143	4,540,319	40,855,136	45,395,455
Other Countries	—	278	278	4,671,034	11,545,054	16,216,088
Total	31,964,765	28,918,781	60,883,546	206,804,502	294,432,538	501,237,040
China Proper	21,147,269	18,666,342	39,813,611	99,550,118	102,281,518	201,831,636
Grand Total	53,112,034	47,585,123	100,697,157	306,354,620	396,714,056	703,068,676

During the past twenty-three years, Japan's trade (including Korea) with Manchuria increased about seven times, but she bought more than she sold in most of these years. Great Britain's share, including Hongkong and other dependencies, increased more than thirteen times in the same period. In exports to Manchuria, however, Hongkong's share includes goods exported from other countries, the place of origin not being recorded in the Customs returns. If the imports of other countries be deducted from Hongkong's share, the British share might be much lower. It is of interest to note that Canada's trade with Manchuria, though insignificant in recent years, has markedly increased, her exports to Manchuria in 1929 being valued at 3,380,000 Tls., of which 2,420,000 Tls. represented flour, and 680,000 Tls. kerosene and other oils. But her exports in 1930 fell off to 761,023 Tls., of which wheat flour amounted to 603,000 Tls. and machinery and vehicles 132,000 Tls. The trade of China proper with Manchuria increased more than five times. The Russian trade increased fourfold in 1930. It was adversely affected in 1929 owing to the Sino-Russian dispute. More than half of Russian exports from North Manchuria go to Japan, and to lesser extent to China, Denmark and other European countries in most years. This is particularly true in regard to the export of bean products through Vladivostok. The share of the United States, including the Philippine Islands, increased more than four times. American pur-

chases of Manchurian products were negligible for many years, but have recently increased. American totals for imports amounting to 20,774,000 Tls., might be increased if American goods reshipped from Japanese ports or from Shanghai were included in the returns of the total import; kerosene and other oils amount to 5,450,000 Tls., steel and iron, including machinery, vehicles, etc. to 3,900,000 Tls., and flour 6,470,000 Tls. The Netherlands and Dutch India bought in 1930 about 40,000,000 Tls. worth of Manchurian goods, and sold to the value of 4,500,000 Tls. Germany exported her products to the value of 12,000,000 Tls., and purchased Manchurian products valued at about 3,390,000 Tls.

## 92 Trade According to Ports

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

In 1907, when Dairen was opened to trade, its position in the returns of the Chinese Maritime Customs was tenth, its total trade amounting to 12,542,883 Tls. Newchwang was ninth in the same year. Dairen soon passed Newchwang, and rose to fifth rank in 1910, third in 1912, and has been second since 1917; that is, next to Shanghai, which has always been first, and is apparently unsurpassable by any other port in China.

In the trade of Manchuria, Dairen has occupied the supreme position since 1910, and its share has been more than 55% of the total for many years. The returns for 1930 aggregated 703,068,676 Tls., the Dairen share being 60%. Antung, being the junction of the Antung-Mukden line and the Korean railways, has increased in importance year after year. Antung's trade first surpassed that of Newchwang in 1918; but it was surpassed again by that of Newchwang in 1930, as it amounted to 97,075,504 Tls., representing about 14% of the total trade of Manchuria, while the returns for Newchwang aggregated 103,914,509 Tls., representing about 15% of Manchurian trade.

In North Manchuria, i. e., at Harbin, Manchuli, and Suifenh, on the Chinese Eastern Railway, and at Aigun, near the Amur River, commerce was slowly increasing before the European war. Their aggregate trade amounted to 34,715,000 Tls. in 1913. But as a result of the war, and later the Russian political disturbances, trade gradually decreased until it was only 20,000,000 Tls. in 1922. After peace and order were restored in North Manchuria, conditions in this region improved. The returns for Harbin, Manchuli, Suifenh, and Aigun in 1930 aggregated 72,371,292 Tls. or 13 per cent. of the total Manchurian trade of that year. Their share in the trade of 1929, affected by the Sino-Soviet dispute over the Chinese Eastern Railway, fell to 58,014,030 Tls., or 7.60 per cent. of Manchurian trade. The table following shows the growth of the trade of Manchuria according to ports:

	1908			1920			1930		
	Import	Export	Total	Import	Export	Total	Import	Export	Total
Dairen.....	Tls. 20,276,649	12,841,258	33,117,907	94,875,280	144,733,468	239,608,748	182,842,574	240,042,882	422,885,456
Newchwang .....	21,827,810	19,848,245	41,676,055	41,894,538	18,039,614	59,934,152	57,779,287	46,135,222	103,914,509
Antung .....	3,692,452	4,352,901	8,051,352	37,066,475	26,185,226	63,251,701	44,152,805	52,922,699	97,075,504
Lungchingtsun .....	—	—	—	1,647,436	600,955	2,248,391	3,180,566	2,529,999	5,710,565
Hunchun .....	—	—	—	583,659	206,998	790,657	983,435	772,732	1,756,167
Total .....	45,796,911	37,048,404	82,845,315	176,067,388	189,766,261	365,833,649	288,938,667	342,403,534	631,342,201
Harbin .....	—	—	—	22,019,158	30,869,236	52,888,394	16,988,756	53,773,443	70,762,199
Manchuli .....	3,064,654	1,263,137	4,327,791	—	—	—	—	—	—
Suifenhoo .....	4,250,469	9,273,582	13,524,051	—	—	—	—	—	—
Aigun .....	—	—	—	7,042,905	5,290,932	12,333,837	1,072,014	537,079	1,609,093
Total .....	7,315,123	10,536,719	17,851,842	29,062,063	36,160,168	65,222,231	18,060,770	54,310,522	72,371,292
Grand Total .....	53,112,034	47,585,123	100,697,157	205,129,451	225,925,429	431,055,880	306,999,437	396,714,056	703,713,493

### 93 Trade According to Principal Commodities

The exports of Manchuria are chiefly agricultural produce, as is the case with Korea and Shantung.

Beans and their products, beancake and bean-oil, to-day command the world's markets. For many years these exports constituted more than half of the total exports of Manchuria. Total exports in 1930 amounted in value to 397,000,000 Tls. of which 207,000,000 Tls., or over 52% of the amount represented the value of beans, beancake and bean-oil. Japan became the heaviest purchaser of beans and beancake after the Sino-Japanese war. Including Korea, Japan's purchase of these products for 1930 amounted to about 56,390,000 Tls. Since the Mitusi Firm made the first considerable trial shipment to England in 1908, the consumption of Manchurian beans and bean-oil has increased in European countries and to some extent in America. Great Britain, Netherlands, Italy, Germany, France, Denmark, and other purchasers consume in the aggregate as much as Japan. But while Europe has bought more beans, more beancake is exported to Japan. The growth of this remarkable trade is shown in the following figures:

Year	Beans U.S. Tons	Beancake U.S. Tons	Bean-Oil U.S. Tons	Total U.S. Tons
1909 .....	977,431	717,222	38,056	1,732,709
1914 .....	672,400	804,846	49,077	1,526,323
1919 .....	771,987	1,504,596	153,350	2,429,933
1924 .....	1,509,560	1,879,708	152,036	3,541,304
1925 .....	1,614,111	1,747,422	163,736	3,530,269
1926 .....	1,577,471	2,129,225	199,285	3,905,981
1927 .....	2,034,645	2,192,317	180,597	4,407,559
1928 .....	2,681,402	1,813,169	142,159	4,636,730
1929 .....	3,041,932	1,548,897	130,221	4,721,050
1930 .....	2,155,699	1,662,051	147,485	3,965,235

The important export next to beans is millet. For 1930 this trade was valued at as much as 24,365,000 Tls., of which about 23,190,000 Tls. was purchased by Korea, and the balance shipped to the Maritime Province of Asiatic Russia, where numbers of Koreans have settled, and China proper. Of the export of kaoliang, valued in 1930 at 6,394,000 Tls., about 3,775,000 Tls. in value goes to China proper, 1,930,000 Tls. to Japan, 446,000 Tls. to Korea, and the rest to other countries. The export of other cereals, such as wheat, wheat-bran, maize, barley, etc., was valued at 15,510,000 Tls., Japan and Korea being leading purchasers.

With regard to mineral products, the export value of coal was 37,588,000 Tls., of which, 16,159,000 Tls. represented the value of exports to Japan, 3,219,000 Tls. to Korea, 15,204,000 Tls. to China and 1,640,000 Tls. to the Philippines. The exports of pig-iron, scrap-iron and other iron were valued at 8,527,000 Tls., of which Japan purchased more than 78 per cent.



Cotton goods are still the most important item of import. Including cotton yarn, valued at 10,925,000 Tls., total imports aggregated 65,256,000 Tls., or more than 21 per cent. of the whole import trade for 1930. About 50 per cent. of cotton goods was imported from Japan, but 78 per cent. of cotton yarn was from Chinese ports. The value of imports of steel, machinery, vehicles (including automobiles, locomotives, etc.) was more than 35,060,000 Tls., almost 10% of which were direct imports from the United States, 43% from Japan, about 18% from Germany, and the balance from England, Belgium, France, Italy, and Canada. Kerosene oil valued at 7,016,000 Tls. was imported in the same year, more than 42 per cent. being United States products. Imports of woolen goods amounted to about 6,193,000 Tls., in value, of which 790,000 Tls. were imported direct from England, 1,880,000 Tls. from Japan, 2,077,000 Tls. from China, and 1,086,000 Tls. from Germany. Some of the woolen goods from China and Japan, however, must be considered English or German goods transshipped at Chinese and Japanese ports.

The table following shows important imports and exports for 1930, according to commodities, in South and North Manchuria, excepting East Manchuria and Aigun, the trade of which was insignificant.

PRINCIPAL COMMODITIES OF EXPORT AND IMPORT FOR 1930

Exports			Imports		
	Hk. Tls.	% of Total		Hk. Tls.	% of Total
Soya Beans .....	114,256,754	40	Raw Cotton .....	8,269,849	
Beancake .....	66,135,365	15	Cotton Piece Goods .....	54,330,656	21
Coal & Coke .....	37,588,239	9	Wheat Flour .....	17,957,125	7
Bean Oil .....	26,509,463	5	Iron & Steel .....	13,553,527	5
Millet .....	24,365,094	4	Wool, Silk & Misc. Piece Goods .....	10,584,516	5
Kaoliang .....	6,393,881	2	Gunny Bags .....	9,967,440	4
Seeds .....	17,446,476	3	Tea, Liquors & Other Provisions .....	15,627,989	4
Other Cereals .....	15,509,868	2	Cigarettes & Cigars .....	13,238,568	5
Raw Silk (Wild) ...	9,415,799	2	Cotton Yarn .....	10,925,348	4
Salt .....	4,017,971	2	Machinery .....	15,810,670	4
Iron & Iron Manufactures .....	8,526,708	2	Sugar .....	10,283,004	3
Leather, Hides & Skins .....	4,766,345	1	Vehicles .....	5,698,178	3
Timber, Bamboo, etc. ....	3,000,563	1	Kerosene Oil .....	7,015,989	2
Unclassed Merchandise .....	54,941,720	12	Medicine .....	7,337,015	2
Total .....	392,874,246		Paper .....	7,385,566	2
			Clothing, etc. ....	5,265,639	2
			Leather, Hides, Skins, Bones, Horns .....	3,621,649	2
			Cereals & Seeds ...	7,208,823	2
			Fruit & Vegetables .....	4,236,985	2
			Tobacco .....	4,519,391	1
			Electrical Materials .....	4,583,145	1
			Coal & Coke .....	4,661,641	
			Unclassed Merchandise .....	59,680,709	12
			Total .....	301,763,422	

## 94 Shipping in Manchurian Ports

Shipping in the principal Manchurian ports, Dairen, Newchwang and Antung, has made steady growth during the last sixteen years. In 1913, one year before the European war broke out, steamers and sailing vessels engaged in foreign and coastal trade aggregated about 7,000,000 tons. The total fell off to about 4,500,000 tons in 1917, owing to world-wide shortage of bottoms during the European war. It made quicker growth after the war, and increased to 16,359,473 tons in 1929, but decreased to 14,750,575 tons in 1930. Should vessels shipping transit cargoes of North Manchurian products at Vladivostok be added, the total would be much greater.

While British vessels engaging in the Chinese trade as a whole occupied some 37 per cent. of 155,605,954 tons for 1930, and the Japanese flag 27 per cent., Japanese vessels engaging in the Manchurian trade alone occupied about 64 per cent., being 14,750,575 tons for the same year, and the British flag 10 per cent. In recent years the Chinese flag has shown an upward tendency, and often occupied second position, as in 1930. The German flag occupies fourth position, and though the number of vessels is few, this is counteracted by a marked increase in tonnage. Shipping activities in Manchurian ports according to flag are shown in diagram form, and in the following table:

TRANSIT TRADE ACCORDING TO FLAG

Flag	1913		1930	
	Tonnage	%	Tonnage	%
Japanese .....	4,926,735	71	9,513,885	64
Chinese .....	429,306	6	1,627,047	11
British .....	1,078,505	15	1,525,671	10
German .....	389,002	6	873,208	6
American .....	4,146	—	446,680	3
Others .....	142,533	2	764,084	6
Total .....	6,970,227	100	14,750,575	100

## 95 "Double Duty" Imposed by China at Dairen

The last Report contained a brief history of Chinese customs duties in which it was stated that Japan, though her commercial and industrial relations with China were more extensive than those of any other nation, finally recognized China's right to tariff autonomy by the agreement concluded on May 6, 1930, and also relinquished, after an exchange of Notes with China, the privilege of preferential tariff of one-third reduction allowed on rail-borne cargoes coming across the land frontier between Korea and Manchuria. In less than a year, however, the Chinese Government, in disregard of its treaty obligations, imposed, independently and unilaterally, a restriction on certain customs tariffs which are based on international agreement. In China, the double imposition

of import duty on foreign goods imported to an open port and reshipped to another open port has hitherto been avoided by allowing drawbacks. After this system was abolished in May, 1931, "Exemption Certificates" were issued at the port of import for goods reshipped to another port, except Dairen, where they were automatically subjected to the double imposition. But inasmuch as the avoidance of double duty in the port of Dairen was legally secured by Article 9 of the Agreement relating to the establishment of the Chinese Customs House at Dairen, signed on May 30, 1907, the Japanese Government lodged repeated protests with the Nanking Government without avail. The Chinese Government also attempted on June 1, 1931 to raise more than three times the existing rate of the export duty on the Fushun, Yentai, and Penchihiu coal produced by the South Manchuria Railway Company and the Sino-Japanese Penchihiu Mining Co. As the existing rate was secured by the Agreements concluded in 1911 and 1912, Japan duly protested and discussed the matter with the Chinese Government.

## VIII AGRICULTURE

### 96 General Features

Manchuria is often described as the "Granary of Asia," as possessing "one of the richest soils in the world," or as "The Land of Opportunity." The fame of Manchuria was established in the political and diplomatic senses in connection with the Sino-Japanese war, the Russian railway penetration, and the Russo-Japanese war. But its agricultural destiny was not generally realized until the South Manchuria Railway Company, running through the valley of the Liao River, brought large supplies of Manchurian beans to Dairen, whence they were shipped to waiting markets in Europe. Japan purchased a greater proportion of the agricultural produce of Manchuria than China proper, or any Western country, after the Sino-Japanese war of 1895. Indeed, Manchurian produce to-day constitutes an important proportion of the national foodstuffs of Japan and raw material for Japanese industries.

Under these conditions, the Chinese farmers should have enjoyed a high degree of prosperity; but the fact is that they suffered heavily under the military autocracy of the Chang family, who had recourse to the issue of worthless paper money and forced farmers to accept this in exchange for their products, the fruit of their hard labour. The new Manchuria State, Manchukuo (滿洲國), contemplates encouraging agricultural improvement and reforming the chaotic currency system, both of which, it is hoped, will enable the farmers to recover their former prosperity.

The most extensive mass of level land between the two great mountain ranges, Khingan and Changpai, extending over the greater part of northern Manchuria and the whole of central Manchuria, and comprising the basins of the Liao, Sungari, Nonni and Hulan Rivers, constitutes the main arable area. The chief feature of the southwestern part of this area, which comprises the entire valley of the Liao River and reaches out into Eastern Inner Mongolia, is the broad, level surface and a soil well suited for agriculture. But this region is cultivated and thickly populated, with the exception of the upper reaches of the rivers and parts adjacent to Mongolia, so that there is little room left for further exploitation. The central part, which occupies the middle area of Manchuria and is watered by the Hurka River and the upper and middle reaches of the Sungari, except for a large section of the Nonni valley containing alkali, is possibly the best agricultural region in Manchuria, and there is still room for further development. Furthermore, the lands around Changchun, Kirin, and Harbin have ample railway facilities for transporting local products. The

northern part, comprising the whole of the northern region, watered by the lower Sungari, the Nonni, and the Amur, is generally rich in soil and largely virgin. As this region is sparsely populated, there is plenty of room for immigrants and for development. Lastly, the south-eastern part of Manchuria, comprising the whole valley of the Yalu River on the Manchurian side, and Liaotung Peninsula, including the Japanese Leased Territory of Kwantung, is mountainous, and in general, contains a sterile soil mixed with gravel. The Leased Territory is broken and hilly, and its soil is poor. As it is most densely populated, every yard of arable land, even the hill-sides and the river-beds, is under cultivation. The same condition prevails in the valley of the Yalu, with the exception of the district along its upper reaches. In Manchuria as a whole, the better or best farm-lands are found in North Manchuria rather than in South Manchuria.

The following table shows the total area of cultivated lands, and the percentage to the total area of Manchuria as estimated in 1930, according to province:

	Area		Cultivated Land in acres	Percentage of cultivated land
	Sq. miles	Acres		
Mukden.....	71,508	45,813,030	11,649,561	25.4
Kirin .....	103,379	66,231,824	12,230,642	18.5
Amur (Heilungkiang)...	224,944	144,114,872	9,525,922	6.6
Jehol .....	60,550	38,792,568	4,238,500	10.9
Total .....	460,381	294,952,294	37,644,625	12.8

The area of cultivated lands has been considerably increased during the last twenty-three years. In 1919, it was estimated at 17,788,100 acres, of which 6,374,100 acres were in Mukden, 7,547,000 acres in Kirin, and 3,867,000 acres in Amur Province. The cultivated lands, though amounting to over thirty-seven million acres to-day, could be greatly increased by the continual inflow of immigrants and by the introduction of tractor farming, especially in North Manchuria, where great areas of virgin lands await exploitation.

### 97 The Prospect in North Manchuria

While most of the arable lands in South Manchuria are practically under cultivation, there are still many millions of acres of virgin land in North Manchuria, particularly in Amur Province, as well as in Jehol Province, and in the northern parts of Kirin and Mukden Provinces.

Besides extensive government lands, there are many large tracts held by the former military authorities which are left undeveloped. Should these lands be distributed among the local inhabitants on long term payments there would be opened a bright prospect for agricultural exploitation. The railways traversing the farming districts which have been already built or are projected would be a great factor in this development.

The introduction of modern farming machinery will play an important part in the opening up of undeveloped lands in Manchuria on a large scale. The International Harvester Export Co., of Chicago, established a branch at Harbin before the European war and sold a number of such tractors especially after the war. Kungchuling Agricultural Experiment Station, maintained by the S. M. R., for several years past has demonstrated with these tractors.

### 98 Agricultural Produce

The principal agricultural produce of Manchuria is the world-known soya bean and kaoliang, the staple food of the native. These two are followed by millet, maize (Indian corn), wheat, barley, and rice. Among other products are hemp, flax, ramie, tobacco, cotton, and wild silk cocoons. Of live-stock, cattle, horses, donkeys, mules, sheep, goats and hogs are important. The quantities of these varied products are difficult to ascertain, because of the lack of reliable statistics among the Chinese authorities. According to a statistical estimate made in 1915 regarding cereals, the total amount of annual production aggregated 404,493,000 bushels, of which kaoliang figured as high as 183,491,000 bushels, beans 86,849,090 bushels, millet 30,505,000 bushels, maize 34,429,000 bushels, barley 28,038,000 bushels, wheat 25,301,000 bushels, and rice 7,407,852 bushels. A statistical estimate on these products for 1930, prepared by the Research Office of the South Manchuria Railway Company, gives the aggregate figure of 779,928,000 bushels. During the last fifteen years, the annual return of cereal products in Manchuria has doubled. The following table gives details of production of Manchurian cereals as existing in 1930:

	Mukden	Kirin	Amur	Total (Figures in parentheses in Metric tons)
	*Bushel	Bushel	Bushel	Bushel
Soya beans .....	46,514,767 (1,183,040)	92,946,573 (2,363,970)	68,838,348 (1,750,810)	208,299,688 (5,297,820)
Other beans .....	6,452,970 (181,360)	4,605,249 (129,430)	2,080,777 (58,480)	13,138,996 (369,270)
Kaoliang .....	105,476,753 (2,638,040)	57,729,854 (1,443,860)	27,899,738 (697,790)	191,106,345 (4,779,690)
Millet .....	41,103,357 (936,850)	61,360,860 (1,398,570)	41,288,066 (941,060)	143,752,283 (3,276,480)
Maize .....	36,237,318 (928,900)	16,570,312 (424,760)	9,051,332 (232,020)	61,858,962 (1,585,680)
Wheat .....	3,717,380 (95,920)	19,985,954 (515,700)	28,874,025 (745,040)	52,577,359 (1,356,660)
Paddy rice .....	4,112,698 (77,170)	3,776,946 (70,870)	336,285 (6,310)	8,225,929 (154,350)
Upland rice .....	3,775,815 (64,470)	4,728,114 (80,730)	740,287 (12,640)	9,224,216 (157,840)
Other cereals .....	40,992,851 (769,920)	28,331,665 (532,120)	22,400,395 (420,720)	91,724,911 (1,722,760)
Total .....	288,383,909 (6,875,670)	290,035,527 (6,960,010)	201,509,253 (4,864,870)	779,928,689 (18,700,550)

\* American bushels.

## 99 Kaoliang

Kaoliang, or sorghum, being not only the staple food of the native population, but the principal grain food of numerous animals engaged in farm work, the major portion of the cultivated land of Manchuria has been devoted for centuries to the cultivation for this grain, and its production, until fifteen years ago, surpassed even the celebrated Manchurian bean. But the tremendous growth of demand for beans in the world market caused bean cultivation gradually to encroach on the premier position held by kaoliang, and to-day the proportion of the cultivated lands for these two grains is equal. Less than ten per cent. of the annual production of kaoliang is sold outside Manchuria. The export of this product in 1930 amounted to about 2,359,000 piculs, 80 per cent. of which went to China proper and 20 per cent. to Japan. This cereal is largely used in China for foodstuff, spirit distilling, and cattle-feed. In Japan, the import of this Manchurian cereal is gradually on the increase as raw material of foodstuff manufacture, especially for cornstarch, and live-stock feeding.

## 100 Soya Beans

The story of the Manchurian bean is a striking romance in economic history. The Japanese, though naturally regretting the loss of the Liaotung, the "legitimate fruit" of the Sino-Japanese war, found some compensation in the discovery of the Manchurian bean, which revolutionized the fertilizer industry and became a substitute in the Japanese rice-field for the dry-herring fertilizer then extensively used. Ever since, the Japanese has been the heaviest purchaser of the Manchurian bean. The demand in Europe for soya beans is considerable. The first trial shipment was made in 1908 by the Mitsui Firm of Japan, being sent from Dairen to Liverpool, and this was the beginning of a new industry in England, Germany, Denmark and Holland. The major portion of the beans destined for Europe was for the mills at Liverpool and Hull, England; for mills at Copenhagen, Denmark, and Rotterdam and Amsterdam, Holland. Germany's consumption subsequently became greater than all, and this, though interrupted during the European war, is recovering. At the time of the universal shortage of food during the great war, the Manchurian bean played a very important part in the world's food supply.

The demand for the Manchurian bean is ever-increasing. Beans and bean-cake imported by Japan, as foodstuff or fertilizer, are to-day helping in the solution of the national food problem. In England, Germany, Holland, and Denmark, the bean oil is extracted and is used in manufacturing margarine (vegetable butter), soap, etc, while the residue is extensively used as feed for live-stock.

Regarding the quality and quantity of the beans, the Manchurian



Bean and Kaoliang Field in Manchuria



Chinese Harvesting Kaoliang



Rice Fields

product possibly surpasses that of any other country. Beans can be grown in the central and northern parts of the temperate zone, in which lie North America, the northern part of Japan, Korea, and North China. That the Manchurian beans have come to occupy such an enviable position is due entirely to the suitability of Manchuria, South and North, for bean cultivation, in regard to both climate and soil. The average production per acre is 20.4 bushels in Manchuria, while it is 16.6 bushels in Japan, 13.2 in the United States, 10.5 in Korea, and 15.8 in China proper. Bean cultivation in the United States has been very rapidly increased, the total acreage prior to 1917 aggregating less than 500,000 acres was increased to 2,500,000 acres in 1924 and to 3,500,000 in 1928. But the greater part of bean cultivation in the United States is for ensilage, pasture, and hay.\* The aggregate return of world production was estimated in 1929-30 at 351,455,046 bushels, of which the Manchurian product amounted to 208,298,428 bushels, or 59 per cent. of the total. While bean production in other parts of the world is more or less unchanging, production in Manchuria is increasing each year, and the annual return for 1930 was estimated at 208,000,000 bushels. The following table shows estimated production in the world's bean zones in 1930:

Countries		Under Cultivation, Acres	Annual Production, Bushels	Production per Acre	Percentage to World Production
Manchuria.....	1.	10,184,928	208,298,428	20.4	59.3
China proper.....	2.	5,635,000	89,340,000	15.8	25.4
Japan .....	3.	913,836	15,238,873	16.6	4.3
Korea .....	„	1,942,922	20,431,745	10.5	5.8
U. S. A. ....	4.	1,373,000	18,146,000	13.2	5.2
Total .....		20,049,686	351,455,046	—	100.0

1. "Crop Estimates in Manchuria," 1930, Research Office, S. M. R.
2. Estimated amount.
3. Statistics of Department of Agriculture and Forestry, Tokyo. Fifth Report, 1928.
4. "Year Book of Agriculture," 1930, United States Department of Agriculture.

The reason why the Manchurian bean commands world-wide popularity is the actual value of this staple as foodstuff, feed for livestock, fertilizer, and as raw material in various chemical industries. It contains a higher protein content, i. e., 40%, fat 17%, nitrogen free extract 22%, water 8.5%, ash 5.5%. Of course, the constituents vary more or less according to locality of plantation, kind, and year when grown. Manchurian beans are divided into four classes according to colour—yellow, white eye-brow, green, and black. The chemical composition of these beans, according to analyses made in 1927 by the Central Laboratory at Dairen is as follows:

\* "Soya Bean Culture and Varieties," U. S. Department of Agriculture, Farmers' Bulletin, No. 1520, issued April, 1927.

	Moisture	Crude Fat	Crude Protein	Crude Fibre	Nitrogen Free Extract	Crude Ash
	%	%	%	%	%	%
Yellow.....	11.06	18.19	39.94	5.20	21.41	4.30
Black .....	11.96	14.74	41.00	5.34	23.01	4.20
Green .....	8.13	18.95	40.12	5.45	22.54	4.80

### 101 Other Staple Products

Staple produce other than grains in Manchuria are hemp, tobacco, wild cocoons, and raw cotton.

Cultivation of hemp in Manchuria was primarily to obtain linseed oil, or Hsiao-Tamatzu oil, as it is called by the Chinese. The districts raising hemp for the purpose of obtaining its seed are mostly in the level lands of the Liao and Sungari valleys. Hemp is grown for the sake of its fibre in the hilly districts of the eastern parts of Mukden and Kirin Provinces. From the fibres are made nets, ropes, and coarse cloth, the waste being utilized for making native paper.

Tobacco is cultivated to a fair extent in Manchuria. The aggregate production was recently estimated at 48,750,000 kin, or 65,000,000 pounds a year. The native tobacco is of inferior quality. In the year 1930, Manchuria exported tobacco to the value of 1,829,000 Hk. Tls., and imported tobacco valued at 13,238,000 Hk. Tls.

### 102 Wild Silk

Wild cocoon culture for making Tussah or wild silk possibly dates back about one hundred years, when sericulture was first introduced by immigrants from Shantung Province. The southern part of Mukden Province, in particular, the so-called Liaotung Peninsula, is noted as the most flourishing centre of this industry, Antung and Kaiping being the principal distributing markets. No reliable statistics are available concerning wild cocoon production. The annual output in Mukden and Kirin Provinces is estimated at 8,000,000,000 to 10,000,000,000 cocoons, valued at about 25,000,000 yen. The wild raw silk alone exported in 1930 was valued at 9,415,000 Hk. Tls. If cocoons, waste and silk cloth be included, the total export amounted to 11,550,000 Hk. Tls. The table below shows the export of wild silk production for the past several years:

Year	Wild Silk Cocoon	Wild Silk Yarn	Wild Silk Waste	Pongee Silk	Total Value in Hk. Tls.
1925 .....	1,198,977	11,380,227	1,029,020	357,966	13,966,190
1926 .....	893,020	10,493,915	1,027,577	533,134	12,947,746
1927 .....	707,952	10,256,250	1,191,559	422,760	12,578,521
1928 .....	615,649	8,585,714	1,371,597	701,610	11,274,580
1929 .....	868,121	9,096,600	1,085,319	1,016,180	11,566,220
1930 .....	537,687	9,415,799	925,743	671,552	11,550,781

### 103 Cotton

The world cotton cultivation zone is generally understood to be below latitude 37 degrees. Manchuria lies above this zone, yet the southern part of Manchuria to-day produces about 32,000,000 pounds of cotton. The districts along the Peking-Mukden Railway and those along the South Manchuria Railway produce in about equal proportions. Cotton cultivation in Manchuria was first introduced by Chinese at the time when the Tang Emperor concentrated his forces in Manchuria to invade Korea in 662 A. D. Cultivation was continued for centuries under primitive conditions and nothing was done to improve it until recent years. The agricultural experimental farms maintained by the Kwantung Government and the South Manchuria Railway Company took the initiative in improving cotton cultivation in the Leased Territory and the Railway Zone by introducing upland cotton of American origin raised in Korea and by distributing improved seeds among native cultivators. Upland cotton cultivation in the Leased Territory covers 4,254 acres, the annual crop amounting to 1,384,173 pounds. The Mukden Government is also encouraging cotton cultivation in the districts along the Peking-Mukden Railway and the Liao River.

### 104 Live-Stock

The trade of Manchuria and Mongolia was originally based upon horse-breeding, the staple industry of a people who achieved almost world-wide empire under the great Kublai Khan. While the early Manchu people dominated the country, stock-farming was their chief occupation. With the entry of the Chinese, the rich pastoral lands were gradually put under the plough, particularly in South Manchuria. Yet, to-day, a shadow of the old pastoral age is visible in the western part of Amur Province and on the Mongolian frontier, where the inhabitants are still devoted to cattle breeding. Chinese farmers in Manchuria, however, generally keep large numbers of oxen, horses, mules, and donkeys, for breeding, farming and transport. Sheep and pigs are also extensively raised in Manchuria and Inner Mongolia. The following table is an estimate of the numbers of live-stock in Manchuria in 1930:

	Mukden	Kirin	Amur	Total
	head	head	head	head
Cattle .....	516,670	429,950	658,650	1,605,270
Horses.....	669,220	735,070	1,033,700	2,437,990
Sheep .....	518,200	182,430	1,939,930	2,640,560
Swine .....	3,444,030	2,273,760	1,789,400	7,507,190
Total .....	5,148,120	3,621,210	5,421,680	14,191,010

In addition, there are estimated to be 810,000 horses, 1,120,000 cattle, 2,000,000 sheep, and 1,000,000 swine in Eastern Inner Mongolia.

## 105 Model Farms

Farming methods in Manchuria changed little during many centuries. The native farmers are slow in selecting better seeds or seedlings, improving the method of manuring, breeding improved cattle, or reclaiming virgin lands.

Since the Japanese advent in Manchuria, the most energetic steps have been taken to improve agriculture by the establishment of model farms, live-stock breeding stations, and seedling nurseries in the Railway Zone and Leased Territory. This has stimulated the Chinese in some degree, and agricultural experimental farms have been established in the suburbs of Mukden, Kirin and Tsitsihar, where provincial governments are located. Chinese schools of agriculture were also established in Mukden and Kirin, in addition to a botanical garden and seedling station in Mukden. The Russians established agricultural experimental farms in Harbin, Ania, and Jeh-hu, along the Chinese Eastern Railway.

In the Leased Territory, the Kwantung Government took the initiative in creating the Kwantung Agricultural Experimental Farm in November, 1906, improving agriculture, cattle breeding, the distribution of better seeds and seedlings, sericulture, etc. The Experimental Farm at Chinchou, where the farm was much enlarged, now covers 206.73 acres. Much attention has been paid to the improvement of cotton plants, fruit trees and vegetables, which had degenerated. Seeds and seedlings of peaches, apples, pears, grapes, cherries and other fruit trees of Japanese or American origin were experimented with, and apples especially were found well adapted to the Leased Territory. The work of the Experimental Farm gradually stimulated fruit cultivation among the Japanese and Chinese. By the establishment of a sericultural experimental station and sericultural training school at Port Arthur, these industries have been encouraged. More than 4,500,000 improved mulberry trees, and more than 30,000 sheets of silkworm eggs were distributed during the past fifteen years. To-day more than 800 families engage in sericulture, and the output of cocoons amounts to 6,500 bushels.

The South Manchuria Railway Company also participated in the agricultural improvement in the Railway Zone. An experimental station established in 1913 at Kungchuling, 400 miles north of Dairen, in the heart of Manchuria, has appropriated 522.69 acres, and more than 600,000 yen has been invested in buildings, equipment, implements, etc. Work is continually conducted to ascertain what possibilities lie in improving the breeds, and increasing the propagation of the principal agricultural products and live-stock.

Among many experiments, most serious attention has been paid to improving the Manchurian bean. After a series of experiments, this station succeeded in obtaining, by means of selection, four superior

kinds of beans, up to 1921. Experiment further continued, and by a process of selection two grades have been adopted as the standard of the improved beans. By the adoption of the improved seed-beans, an increase by 10 per cent. or more, it has been ascertained, can be gained in production. From these beans, more than 8 per cent. of oil can be obtained. In 1922, nursery farms for the improved seed-beans, about 174 acres in area, were laid out at Changchun and Kaiyuan, with a view to supplying the improved seed to a more extended area further from the Railway Zone, eventually to cover the whole of Manchuria.

The main station has conducted experiments in the selection of wheat since 1915. Through more than ten years' efforts, the improved breed did not increase more than four per cent. in production. The station has found there are greater prospects for improving wheat in North Manchuria than in the South.

Rice cultivation on paddy land in Manchuria is comparatively new, and there is very limited upland cultivation. Cultivation has, however, become popular since the Japanese arrived in Manchuria; especially as the Koreans are migrating in great numbers, and are now playing an important part in paddy cultivation. Seed transferred particularly from the northern part of Japan was tested at the station, and finally seven kinds of seed rice were selected as the standard of the improved rice. The improved rice yields 30 per cent. more than the native variety. In districts where paddy land is limited on account of the difficulty of irrigation, experimental work has also been conducted for the improvement of upland cultivation. With several kinds of seed from the northern part of Japan, experimental tests in this line have been conducted since 1915. Four improved kinds were finally selected, and they yield 40 per cent. more than the native variety.

With regard to stock farming, the station set about improving sheep and hog breeding, the native breeds of which were in a degenerated condition. By crossing a superior Merino breed imported from abroad with the native Mongolian, a mixed cross of the superior stock has been obtained, yielding wool of better quality and larger quantity. Similarly with improving native hogs by crossing with the superior Berkshire breed. Improvement in the Mongolian pony and in cattle has also been effected at this main station.

The branch station was established in 1913 at Hsiungyaocheng, where the cultivation of rice, fruit, cotton, and vegetables is carried on. Experimental tobacco cultivation of American (specially Yellow Orinoco), Japanese, and native leaf proceeds at the Experimental Farm in Fenghuangcheng, on the Antung-Mukden Railway. It was proved that the American variety especially can be acclimatized in these localities and yield greater production than the native plant.

Another experimental farm was established in 1916 at Paiyintala,

the gateway to Inner Mongolia, a distributing centre for Mongolian products. The work consists of improving bean, kaoliang, millet, maize flax and medicinal plants, and producing a better type of hog by crossing with foreign breeds. A few years after the establishment of these stations, they were able to distribute improved breeds and seedlings.

Distribution was commenced in 1924 by various experimental stations and farms of the S.M.R., with the following results up to 1929:

Improved soybean seed.....	91,381 bushels
Improved paddy rice seed.....	10,600 "
Improved sheep.....	1,156 head
Improved hogs.....	322 "
Improved fruit tree seedlings.....	317,294 saplings

In addition, over 40,399,065 saplings have been distributed free of charge for afforestation purposes.

To the Experimental Station at Kungchuling and its branch station at Hsiungyaocheng, agricultural schools for Chinese and Japanese students are attached. These students are educated and trained free of all charges for tuition and boarding.

## IX MINING, FORESTRY, FISHERIES

### 106 Natural Resources

Manchuria as a whole is rich in natural products. Mineral, timber, and marine products may be found rather abundantly in the region, compared with other parts of China. While most of the mountain ranges and hills in China proper were denuded many centuries ago, Manchuria was "virgin land" until very recently. It was in the distant past the hunting field of aboriginal tribes, and its possession later became a continuous cause of conflict among the tribal kingdoms which fought for supremacy. After the Manchu Dynasty had unified China proper, their rulers treated this region as extramural and kept it as "forbidden land," the exploitation of which, not only to the outside world, but more particularly to the Chinese themselves, was denied. Indeed most parts of the region were left undeveloped until after the Russo-Japanese war.

The aggregate forest areas in Manchuria have been roughly estimated at as much as 36,235,268 cho or 88,799,872 acres—the standing timber at about 149,918,085,300 cubic feet. Among mineral products, coal is most important. The deposits of this important mineral in South Manchuria are estimated at 1,200,000,000 tons, in addition to several hundred million tons in North Manchuria. The coal deposits in Hopei (Chihli), and especially in Shansi Province, are said to be far surpassed by those in Manchuria. Iron deposits in Manchuria are roughly estimated at 400,000,000 tons, mostly in South Manchuria.

Manchuria, though it constitutes a part of the Asiatic continent, has a comparatively long coast line, extending 976 miles, or 855 nautical miles, from the mouth of the Yalu in the east to Shanhaikwan, where the Great Wall of China joins the waters of the Gulf of Pechihli. Its southern part being a large peninsula exposed to the Gulf of Pechihli and the Yellow Sea, it should be favoured with marine life. Furthermore, several large rivers—specially the lower reaches of the Sungari and the Hurka in the north, and Liao and Yalu in the south, have fresh-water fish. Although fish products do not amount to significant figures as yet, the salt production in Manchuria and Mongolia to-day is estimated at about 1,000,000,000 pounds a year.

### 107 Forestry

It is said that until a few hundred years ago the regions dominated by the Khingan and Changpai mountain ranges and their spurs were thickly timbered, forming as a Manchu Emperor expressed it, "Seas of Trees." The timber resources are richer in the Amur Province





or conifers, and twenty-one broad-leaved varieties. Of the conifers, Korean pines are distributed most extensively through the east and northeast of Manchuria. They live longer than any other trees in the Manchurian forest; and often grow to several feet in diameter, reaching a height of more than a hundred feet. Next to the Korean pine, the species of larch, *Larix Dahurica*, grows straight and tall, challenging the supremacy of the Korean pine in many places. Fir and spruce are found in abundance. Among broad-leaf trees, there are several kinds of oak, the pointed oak, toothed oak, and bearing oak, the elm, birch, maple, walnut, lime, willow, acacia, and poplar. The foregoing are the principal denizens of the forest. Forests of birch are peculiar to North Manchuria, and they will be found intermingled with other forest growth. Birch forests are found along the Chinese Eastern Railway, and over the Khingan ranges. The principal timber in the Khingan ranges are the larch, birch, and red pine, besides the Siberian pine, and yellow and black alder.

#### 109 Lumber Undertakings

Lumbering on a large scale in Manchuria was not undertaken until a little before the Russo-Japanese war, when a Russian corporation "for the purpose of exploiting the forests in the Yalu River basin" was organized in the spring of 1903 under the direction of M. Bezobrazov with the special sanction of the Czar. The activities of this concern on the Korean side of the river became one of the causes precipitating the outbreak of the Russo-Japanese war.

By the additional agreement attached to the Peking Treaty of December 22, 1905, the Chinese Government consented to the formation of a joint-stock forestry corporation financed by capital defrayed by the Japanese and Chinese Governments, for the purpose of exploiting the Upper Yalu forests on the Chinese side. A sequel to this understanding was another agreement concluded on May 14, 1908, by which a company called the Tsaimu Kungssu was organized with a capital of 3,000,000 Mexican dollars. The term of the company's rights was to extend for twenty years, which period might be extended if agreeable to the Chinese Government. The company, maintaining its head office at Antung, came into existence in September of the same year, and engaged in felling, rafting, and trimming lumber.

Chinese officials exploited the forests about the eastern branch of the Upper Sungari, in the south of Kirin Prefecture and extending to the Changpai range. Japanese capitalists at first participated in this business. Quite a number of Japanese corporations, in the boom days following the Great War, entered this field, occasionally in partnership with Chinese concerns at Kirin and Changchun. Most of them, however, met with failure through politico-financial difficulties and occasional floods and other calamities.

Exploitation of the Khingan forests was first carried out in 1914 by a Russian concern, the Shefcheno Brothers. In 1921, it became a joint enterprise with Japanese, its capital being increased to \$4,000,000 Mex. This Russo-Japanese concern was again extended in 1922, with Chinese, Japanese and Russian capital, under the name of Chamientsaimu Kungssu, the capital stock amounting to \$6,000,000 Mex.

#### 110 Mining

Minerals in Manchuria, though limited in variety, are abundant. According to a survey of the Geological Institute of the South Manchuria Railway Company, "coal, iron, magnesite, fire clay, and talc are most important in quantity of deposit; and second to these are gold, copper, lead, barytes, feldspar, and asbestos."

#### 111 Coal

Coal is the important mineral product in Manchuria. Deposits are roughly estimated at 1,700,000,000 tons. About 500,000,000 tons are in North Manchuria, and 1,200,000,000 tons in South Manchuria, the deposit at Fushun being estimated at 950,000,000 tons. The Fushun and Yentai mines are operated by the South Manchuria Railway Company, and the gross annual output of both areas is now 7,000,000 tons. Fushun coal, belonging to the tertiary period, is bituminous, containing much volatile matter, and is best fitted for the production of gas. Penhsihu coal mine is located on the Antung-Mukden line of the South Manchuria Railway Company, about forty-seven miles east of Mukden. This is operated side by side with iron mining by a Sino-Japanese undertaking with the capital of 7,000,000 Chinese dollars. Its annual output is in the neighbourhood of 400,000 tons, of a quality suitable for coke for the ironworks. Coal-fields at Pataokou and Pepiao, along the Tahushan-Paiyintala Railway, are worked by the Mukden Government, each mine producing about 7-80,000 tons a year.

Regarding deposits in North Manchuria, there are several mines along the Chinese Eastern Railway. Dalainor, Muling, and Holikwang, are important. The Dalainor coal-field is to the northwest of Dalainor station between Manchuli and Hailar stations on the Chinese Eastern Railway. This has been operated by Russians since 1903 under contract with the Chinese Eastern Railway, which owns it. The mine formerly produced 468,000 tons a year, but to-day the output is 200,000 tons. About 80 per cent. is taken by the Railway for its own use, the balance being supplied to the markets along the line. Muling coal-field is located in the eastern section of the Chinese Eastern Railway. It was recently improved with railway connection, and to-day produces at the rate of about 200,000 tons a year. Both the Dalainor and Muling mines supply their product chiefly to the Chinese Eastern Railway. Holikwang coal-field, located 500 kilometres north of Harbin, produces

12,000 to 15,000 tons a year. This coal is possibly the best and the only coal which can be coked in North Manchuria, where most of the deposits are of inferior bituminous grade. Owing to the Sino-Soviet dispute of 1929, the operation of mines along C. E. R. line was suspended for more than six months.

#### 112 Iron Mines

Iron ore in Manchuria is mostly found in Mukden Province, where the total deposit is estimated at over 400,000,000 tons. Iron in Manchuria commonly exists in ferruginous rock. The ores are generally hematite, and the proportion of iron they contain is 68-70 per cent. in the richer ore, while the poorer runs to 34-40 per cent. The iron mine is not new, and was worked by natives on a very small scale, wood being used as fuel. But two mines to-day stand out prominently, Penhsihu and Anshan. The former produces about 50,000 tons of pig-iron a year and the latter 200,000 tons. The modern industry at Anshan is treated in the chapter headed the South Manchuria Railway Company.

The iron mine at Penhsihu was worked by the Chinese in a primitive way as early as 1833, and the Russians planned operations just before the outbreak of the Russo-Japanese war. After the war the late Baron Okura took control, and the Okura Firm is now working it in co-operation with Chinese interests. The mine is operated side by side with the coal mine.

#### 113 Gold

The annual production of gold in Manchuria is reported to be worth from seven to ten million yen. But it is impossible to give figures of production owing to the entire absence of reliable sources of information. The last Report related in briefly the history of placer mining in Manchuria. By the exchange of Notes of May 25, 1915, the Peking Government gave the Japanese a gold mining concession at Huatien, Kirin Province. For the development of gold mining and forestry in Amur and Kirin Provinces, a loan of 30,000,000 yen was furnished to the Chinese Government in August, 1918, by a Japanese banking syndicate on the security of mining and forestry property, but actual work was never started.

#### 114 Fisheries

Although the coast line of Manchuria from the mouth of the Yalu on the east to Shanhaikwan extends 976 miles, and faces the Gulf of Pechihli and the Yellow Sea, a fishing industry had not developed until the Japanese came to South Manchuria. On the sea near Hsiungyao-cheng, 110 miles from Dairen, several hundred Chinese fishing junks used to swarm after the "yellow-flower fish" in May, each year. Their

catch for a season of 30 days was said to have amounted to more than 5,000,000 pounds, valued at 300,000 yen. During the Russo-Japanese war a number of Japanese fishermen worked the coast of Dairen and Port Arthur in order to supply the Army. Since the Japanese administration was started in Kwantung, the industry gradually developed, specially with the introduction of improved appliances. Today, men engaged in the fisheries in the Leased Territory number 22,958 Chinese and 366 Japanese (figures for 1930), and the annual catch was valued at 3,848,204 yen, of which more than half was the Chinese share. Figures relating to the fishing industry outside the Leased Territory can not be obtained. As shown in the Customs returns, Manchuria exports marine products, except salt, to a negligible amount, i.e. 659,000 Hk. Tls., but imports more than 3,749,000 Tls. in value chiefly from Japan and Korea. As to fresh-water fisheries, numbers of natives work all the large rivers, notably the Liao and Yalu in South Manchuria, and the lower reaches of Sungari and its tributary the Hurka in North Manchuria. The annual catch in North Manchuria is estimated at as much as 1,100,000 lbs.

115 Salt Manufacture

The manufacture of salt is one of the important industries in South Manchuria.

All along the coast of Mukden Province, districts around Newchwang, Kaiping, Futsien, and the Japanese Leased Territory of Kwantung are noted for the industry. The old method of salt manufacture was by boiling. It is said the method of solar evaporation was first introduced into China by a Roman Catholic priest in the early part of the 18th century. Along the coast of the peninsula of Mukden Province, commonly called Liaotung Peninsula, washed by the Gulf of Pechili and the Yellow Sea, where the sea-water is much briner, the rainfall is small and the dry wind from Mongolia makes evaporation speedy, the product here being particularly fit for manufacture by the evaporation method. Manufacture outside the Leased Territory has been conducted by the Chinese Government and licensed individuals for many years. The total area used as brine pans was estimated at about 3,649 tan 畝 (13,400 acres) and the annual production from 400,000,000 to 700,000,000 pounds. Salt being a sort of monopoly of the Chinese Government, it is forbidden to import into Manchuria and to export outside, except to Mongolia and Jehol Province. There are deposits of rock, or natural, salt, at several salt lakes along the Mongolian border, the annual production from these sources being said to be about 12,400,000 lbs.

Salt manufacture in the Leased Territory was at one time very extensively conducted. But maladministration and warfare caused the industry to wane, and at the time of the Russo-Japanese war most of the salt fields were waste. Under the Japanese régime the industry has

made remarkable development, as the annual production was increased to 415,777,000 kin, or 553,787,466 pounds, in the fiscal year 1930, from 45,971,400 kin in the fiscal year 1907, i.e. about ten times during twenty-three years. The following table shows the salt production in the Leased Territory:

Year	Manufactured	Manufactured	Total
	by Japanese	by Chinese	
	Kin	Kin	Kin
1919	150,740,280	112,177,860	262,918,140
1920	171,614,400	137,015,460	308,629,860
1921	123,218,580	107,359,900	231,078,480
1922	181,279,740	142,609,620	323,889,360
1923	140,657,520	107,556,816	248,214,326
1924	250,100,880	172,499,700	422,600,580
1925	256,514,700	159,922,620	416,437,320
1926	317,040,860	181,520,860	498,561,720
1927	264,315,300	127,773,600	392,088,900
1928	275,065,794	139,417,800	414,483,594
1929	276,127,680	138,712,920	414,840,600
1930	271,521,600	144,256,200	415,777,800

The greater percentage of this product is exported to Korea and Japan.