

- 300,000 cho, and the annual output of ginned cotton to 150,000,000 kin.
- c. The cultivated area of wheat will be increased to 2,300,000 cho, and its annual production to 20,000,000 koku.
 - d. The growing of tobacco, hemp, peanut, sesame, castor, beans, hop, sugar beet, fruits, vegetable, etc. and tusser silk culture will be encouraged for the betterment of agricultural management and the prosperity of farmers.
- (3) **Stock-farming.** 1. Though this country is abundant in livestock, there is a vast number of inferior breed which lowers their value as resources. The chief concern in developing these resources will accordingly be to improve their stock, as well as to increase the number of such domestic animals.
2. Improvement and Increase of Domestic Animals.
- a. The existing breed of horses will be improved upon by introducing Arabs and Anglo-Arabs and other superior strains, as a result of which at least 2,000,000 select breeds are to be obtained.
 - b. Merino will be introduced to improve the existing stock of sheep, and at least 4,000,000 of the present species are to be replaced by the improved variety.
 - c. Cattle of superior quality will be increased by selecting at least 2,700,000 heads.
 - d. Hogs will be improved chiefly by introducing Berkshire, and their production will be increased to meet home consumption.
- (4) **Forestry.** 1. The principal object of forestry in this country will be to endeavour to restrict and control the indiscriminate felling of trees, and to protect and increase the production of trees, as well as to preserve the productive capacity of forests through rationalized management.
2. Any new grant of forest-ownership will be withheld for the time being. In the coming five years, all existing rights of forest-ownership will be readjusted, while a basic survey will be conducted of the principal forests in this country, and the State forests determined so as to establish a basis for their rational management. Generally speaking, State forests should be administered by the State but, in case of

- necessity, they may be managed otherwise. Public and private forests will be encouraged to conduct rationalized management under Government supervision. Afforestation will also be fostered with the view to developing the industry.
- (5) **Marine Products Industry.** a. Fishery. Fishery resources will be carefully fostered through culture increase, while any wanton catch will be prohibited in order to preserve their lasting utility.
- b. Salt-manufacturing. The industry will be developed by readjusting and enlarging salt fields.
- (6) **Agricultural Management.** The prevailing method of farming which requires the use of domestic beasts will be adopted as the basic form of management, which will be improved by cultivating new varieties of crops, and by introducing various avocational enterprises and the use of machinery.
- (7) **Agricultural Establishments.** 1. With the view to promoting the prosperity of agricultural districts and increasing the economic resources of the peasant households, a system of agricultural associations will be organized to place their positions regarding production and consumption on a better basis, and secure unobstructed circulation of money. The various institutions in the rural communities will be perfected and stabilized.
2. In order to guide and stimulate agricultural industries, various experiment stations, organizations for the improvement of livestock, research institutes for the prevention of cattle plague, grounds for experimental cultivation and seedlings, and model forests will be established.
 3. Scientific facilities for meteorological observations will be installed within five years from 1932 (First Year of Ta-tung).
 4. A preliminary investigation will be made in respect to river improvements and irrigation works.
- (8) **Lands.** 1. A survey of lands will be started immediately, land system established, and evils which attend the unscrupulous annexation of land will be prevented.
2. A special organ will be created for the cultivation of the

smooth transactions, and finding markets for their products in all parts of the world. In this respect, the desirable traits of our merchants will be further encouraged, and old conventions which requires reform will be rectified, so as to rationalize business transactions. The supply and prices of the necessities of life, and other articles which have important bearings upon national life will be properly regulated.

- (2) Laws governing patents and trade marks will be promulgated, and right of "industrial ownership" protected. Regulations governing deposit or trust and insurance will likewise be enacted, weights and measures will be unified, the system of produce exchanges will be improved, and in general advanced facilities in regard to commercial transactions will be instituted.
- (3) The tariff policy will be designed to promote foreign trade and international transactions.

Improvement of Private Economy

The Government of Manchoukuo does not intend to confine its activities to removing the effects of the misrule committed by the former regime, but desires also to enforce its various policies and establish facilities which will insure happiness to all classes of people, and strengthen national resources by improving the private economy of this country. It will not, however, tolerate the existence of any class of idlers in the country: it will encourage the virtues of self-dependence and cooperation with others, for which objects the following measures will be adopted:

- (1) The lives and properties of the people will be safeguarded with all available means.
- (2) Necessary arrangements will be considered by the Government people to prepare against famines and other natural calamities, and thereby prevent starvation among the inhabitants.
- (3) National power will be expanded by readjusting taxation, and by rationally dividing and lightening the burden of the people.
- (4) The necessities of life will be supplied to the people at low prices.

- (5) The fruits of mutual assistance will be secured by effecting a sound development of various industrial and credit associations.
- (6) Measures will be provided to give work to the unemployed.

Conclusion

Although the present program covering various branches of economy is small in scale, it will be gradually enlarged in proportion to the growth of our financial and economic activities. Even with this program, it is quite obvious that in less than ten years the present total production of the country amounting to 3,000,000,000 Yuan will be doubled. It is confidently expected that the national power will expand with an amazing speed in the not distant future. It must be noted, at the same time that the present plan for the initial period alone demands an enormous sum of capital, expert skill, together with the united efforts of the entire people. As for the funds necessary for the execution of this program, it is the intention of this Government to raise them in the world market, while funds of comparatively small amounts will be collected in the domestic market. Technical guidance, too, will be sought from abroad.

In brief, the present economic construction plan seeks to perfect a new unparalleled system of economy based on the perpetual happiness of this State and its people, its great mission being the realization of that noble principle, "Wangtao", upon which Manchoukuo stands. By setting forth this outline the Government of Manchoukuo earnestly requests for the united and determined support of the entire people.

LAW CONTROLLING IMPORTANT INDUSTRIES

Imperial Ordinance No. 66

Promulgated May 1, 4th year of Kangte (1937)

(Unofficial Translation)

Article I

A person desiring to engage in any of the important industries shall obtain permission therefor of the State Minister or Ministers concerned in accordance with orders issued.

The kinds of the important industries shall be determined by Imperial Ordinance.

Article II

A person engaged in any of the important industries shall submit to the State Minister or Ministers concerned a written statement of his business programme and a report on his business for each business year in accordance with orders issued.

Article III

The State Minister or Ministers concerned may issue to a person engaged in any of the important industries orders necessary for upholding the public interest or for exercising control in connection with such person's business.

Article IV

In case it is deemed especially necessary, the State Minister or Ministers concerned may cause a person engaged in any of the important industries to submit a report on the conditions of his business or property, or cause the officials concerned to conduct an examination of such person's safes, books and other documents or articles.

Article V

In any of the cases hereinunder mentioned, a person engaged in any of the important industries shall obtain permission of the State Minister or Ministers concerned in accordance with orders issued:

1. When the said person desires to enter into an agreement for effecting a control or revise or abolish such agreement;
2. When the said person desires to enlarge his equipment for production or effect a change therein;
3. When the said person desires to transfer to other persons the whole or part of his business;
4. When a merger is to be effected, in case the said person is juridical person.

Article VI

In either of the cases hereinunder mentioned, a person engaged in any of the important industries shall report to the State Minister or Ministers concerned without delay:

1. When the said person has abolished or suspended the whole or part of his business;
2. When liquidation has been affected, in case the said person is a juridical person.

Article VII

When a person engaged in any of the important industries has violated the present Law or orders issued thereunder or dispositions made under such orders, the State Minister or Ministers concerned may cancel the permission mentioned in Article 1.

Article VIII

When a person has engaged in any of the important industries without

the permission of the State Minister or Ministers concerned, such person shall be punished with a fine not exceeding five thousands yuan (MY5,000).

Article IX

When a person engaged in any of the important industries falls under either of the cases hereinunder mentioned, such person shall be punished with a fine not exceeding one thousand yuan (MY1,000):

1. When the said person has violated the order issued by the State Minister or Ministers concerned in accordance with the stipulation of Article III.
2. When the said persons has violated the stipulations of Article V.

Article X

When a person has failed to submit the report ordered by virtue of the stipulation of Article IV or has made a false report or has refused, obstructed or evaded the examination mentioned in the same Article, such person shall be punished with a fine not exceeding three hundred yuan (MY300).

Article XI

When a person has violated the stipulations of Article II or Article VI, such person shall be punished with a fine not exceeding one hundred yuan (MY100).

Article XII

When an employee or an operative has committed in connection with his employer's business any act that falls within the purview of the penal regulations of the present Law, the employer, as well as the perpetrator of the act, shall be punished. In case, however, the employer is a sufferer from mental derangement or is a minor not possessing the same degree of business ability as an adult, his legal representative or representatives shall be punished.

Article XIII

When an employee or an operative of a juridical person has committed in connection with the business of the said juridical person any act that falls within the purview of the penal regulations of the present Law, the executive partner or official of such juridical person, as well as the perpetrator of the act, shall be punished.

In case an executive partner or official of a juridical person has committed any act mentioned in the preceding paragraph, such partner or official shall be punished.

Article XIV

In the cases of Article XII and paragraph 1 of the foregoing Article, when the principal, the legal representative, the partner or the official has proven that there was no means of preventing the act in question from being committed, such person shall not be punished.

Supplementary

The present Law shall come into force on the Tenth day of the Fifth month of the Fourth year of Kangte.

A person who is actually engaged in his business at the time of the coming into force of the present Law with a previous permission of the State Minister or Ministers concerned shall be regarded as having obtained permission under the present Law.

A person who is actually engaged in his business at the time of the coming into force of the present Law without the permission of the State Minister or Ministers concerned shall file a petition for the permission stipulated in the present Law within sixty (60) days from the date of enforcement of the present Law.

A person who has filed the petition mentioned in the foregoing paragraph may carry on his business as heretofore pending the receipt of the said permission.

**MATTERS CONCERNING THE ENFORCEMENT OF THE LAW
CONTROLLING IMPORTANT INDUSTRIES**

Imperial Ordinance No. 67

Promulgated May 1, 4th year of Kangte (1937)

(Unofficial translation)

Article I

The important industries as stipulated in paragraph 2 of Article 1 of the Law Controlling Important Industries shall be as follows:

- Arms manufacturing industry;
- Aircraft manufacturing industry;
- Motor car manufacturing industry;
- Liquid fuel (mineral oils and absolute alcohol) manufacturing industry;
- Iron, steel, aluminium, magnesium, lead, zinc, gold, silver and copper refining industry (the wet process of refining gold or silver being excluded);
- Coal mining industry (that producing less than 50,000 metric tons per annum being excluded);
- Woollen textile manufacturing industry (that carried on by hand-looms being excluded);
- Cotton Spinning industry;
- Cotton textile manufacturing industry (that carried on by hand-looms being excluded);
- Hemp thread manufacturing industry (producing more than 50 metric tons per annum);
- Hemp spinning and weaving industry (that carried on by hand-looms being excluded);
- Flour milling industry (having a capacity for a daily production of more than 500 sacks);

- Beer brewing industry;
- Sugar refining industry;
- Tobacco manufacturing industry (producing more than 10,000,000 cigarettes per annum);
- Soda manufacturing industry (refining industry of natural soda being excluded);
- Fertilizer (sulphate of ammonium, nitrate of ammonium, superphosphate of lime and calcareous nitrogen) manufacturing industry;
- Pulp manufacturing industry;
- Oil milling industry (carried on the abstraction system or that equipped with more than 15 presses);
- Cement manufacturing industry;
- Match manufacturing industry.

Article II

The State Minister or Ministers concerned as referred to in the Law Controlling Important Industries shall be the Minister of Industry (within the jurisdiction of the Department of Mongolia Administration, the Minister of Mongolian Administration) and the Minister of Defence as regards arms and aircraft manufacturing Industries; the Minister of Industry (within the jurisdiction of the Department of Mongolia Administration, the Minister of Mongolia Administration) and the Minister of Defence as regards arms and match manufacturing industries; and the Minister of Industry (within the jurisdiction of the Department of Mongolia Administration, the Minister of Mongolia Administration) as regards the other industries.

Article III

When the Minister of Industry (within the jurisdiction of the Department of Mongolia Administration, the Minister of Mongolia Administration) desires to collect reports or cause examinations to be conducted in connection with arms manufacturing industry by virtue of the stipulations of Article IV of the Law Controlling Important Industries, the said Minister shall consult in advance with the Minister of Defence.

Supplementary

The present Ordinance shall come into force on the day of enforcement of the Law Controlling Important Industries.

**THE FIVE-YEAR INDUSTRIAL
DEVELOPMENT PLAN**

The Five-Year Industrial Development Plan, extending over the years 1937-1941, inclusive, consists of three principal policies. The first aims at the establishment of heavy industry, the second the development of agriculture, and the third the expansion of the

network of communications. First, in the sphere of heavy industry, the principal aims are to produce annually 5,000,000 metric tons of iron and 2,000,000 tons of liquid fuel; to establish aluminium and magnesium industries with home materials, as well as automobile and aircraft industries; to undertake, side by side with this, a thoroughgoing exploitation of coal resources and expansions of the power facilities.

Next, in regard to agriculture, the goal is to ensure self-sufficiency both in time of peace and war, of food, fodder, etc. In the production of such "special crops" as paddy rice, barley, rye, sugar beet, cotton and kenaf, and of such "principal crops" as soya beans, kaoliang, and maize, a large increase is projected, so that self-sufficiency may be attained not merely for Manchuria but also for East Asia at large.

Further, in the domain of transport, it is the object of the program to extend the network of railways and motor roads corresponding to the expansion of industry and agriculture, so as to facilitate transport, both internal and external. It is part of the program to expand existing harbors or construct new ones.

With regard to land settlement, comprised within the second of the three cardinal policies of the Five Year Plan, the program calls for transferring a million agricultural families from Japan to Manchuria within a period of twenty years. The plan of settling Korean farmers, 10,000 families per year, is also under execution. In Manchuria itself, it is being planned to move people from the congested areas in South Manchuria to the sparsely populated districts in North Manchuria. For accelerating land development, the Government of Manchoukuo has adopted a comprehensive scheme, including the expropriation of 20,000,000 chobu (2.45 acres equal 1 chobu) of unutilized land, the execution of extensive riparian, irrigation, and reclamation works, so that Japanese, Korean, and Manchu farmers may be settled on the farm-land thus created. For the purpose of direction and control, the Government has established the General Bureau of Land Development, and for undertaking riparian and irrigation works, the Agricultural Land Development Company will soon be established; while the machinery of the Manchuria Colonization Company is being reorganized and strengthened. By such means and measures, the Government hopes to realize its land settlement policy.

The Japanese agricultural settlers are now in a strong position, with excellent results obtained in different parts of the country. Further, youth volunteers were introduced in the autumn of 1939. In spite of the initial difficulties, they passed the winter in the best of spirits. This work is making good progress.

At the end of 1939, the Japanese agriculturists settled in Manchoukuo numbered 43,000, and by the end of 1940, the number was expected to rise to 70,000.

Frontier Development Plan. We now come to the northern Frontier Development Plan, the last but not the least of the three cardinal policies of Manchoukuo. The northern border of Manchoukuo forms not merely the boundary between Manchoukuo and Soviet Russia, but also the frontier between Eastern and Western civilizations. The frontier districts, as they now are, contain a small population, with inadequate facilities of communication. For these reasons the Government of Manchoukuo has adopted the Northern Frontier Development Plan, undertaking, on the one hand, the expansion of the network of traffic and communication in seven northern provinces, namely, Chientao, Mutankiang, Hsinantung, Sankiang, Peino, Hsinpeian, and North Hsingan, and carrying out, on the other hand, the development of agriculture as well as the improvement of public hygiene, so as to advance public welfare in the border districts. The whole project, which is a three year schedule, is estimated to cost 1,000 million yuan. The Government of Manchoukuo, the S.M.R. and other corporations are now directing their united efforts toward the completion of the program.

Principle of Planned Economy. In the execution of the above-mentioned projects, the authorities concerned drew up a definite plan, under which strong control is exercised and the several industries organized, thereby mobilizing the entire resources of the nation. The Government, therefore, adopted the system of special corporations, appointing those responsible for the conduct of specified industries or services in accordance with or along the lines of national policy. In regard to the so-called "important" industries, the Act for the control of such industries is applied, determining the sphere of each industry and regulating the method of management, so as to avoid useless competition and friction between industries; while other industries are left to the free ini-

tiative of individuals. Thus, Manchoukuo economy is being carried on by special corporations, controlled corporations, and free enterprises, the principle motive being the furtherance of national economy. It must be emphasized in this connection that although in the basic industries those responsible for their conduct are definitely fixed for each of the industries, it is not intended to stifle independent initiative within the limits of the framework, still less to close the door on the growth of new and independent enterprises in other spheres.

Capital Outlay for Five-Year Plan

The Five Year Industrial Program in its original draft was estimated to cost 2,350 million yen. However, one year after the commencement of the program, drastic expansions were drawn up for the production of basic raw materials. In its revised form the total capital outlay was more than doubled, advancing to 4,800 million yen. The greatest stress was placed in the industries of iron and steel manufacturing, coal mining, electric power generation and coal liquefaction. A comparison of the capital outlays for the original and revised Five Year Plans is given below:

ESTIMATED CAPITAL OUTLAY FOR ORIGINAL AND
REVISED FIVE-YEAR INDUSTRIAL PLAN,
1937-1941

	Original Plan (million yen)	Revised Plan (million yen)
Mining and Industry:		
Iron and Steel	230	700
Coal	150	300
Electric Power	210	500
Coal liquefaction	320	1,000
Mechanical, Chemical, etc.	310	1,300
Total	1,220	3,800
Agriculture & Stockbreeding	130	140
Transportation & Communications	1,000	640
Immigration	—	220
Grand Total	2,350	4,800

The estimated annual production in the closing year of the original and revised Five Year Plans is as follows:

ESTIMATED ANNUAL PRODUCTION IN CLOSING YEAR OF
ORIGINAL AND REVISED 5-YEAR INDUSTRIAL
PLANS, 1937-1941

	Original Plan (Unit: 1,000 metric tons)	1st Revised Plan (Unit: 1,000 metric tons)	2nd Revised Plan (Unit: 1,000 metric tons)
Pig Iron	2,400	5,000	5,000
Steel	2,225	3,500	5,500
Steel Materials	—	2,000	2,000
Iron Ore	6,600	6,600	12,000
Coal	25,500	38,000	38,000
Electric Power:			
Thermal	575 (a)	1,260 (a)	1,260 (a)
Hydro	870 (a)	1,340 (a)	1,340 (a)
Liquid Fuel:			
Coal Liquefaction	500	500	1,700
Shale Oil	800	650	650
Spirit	56	56	150
Aluminium	20	—	—
Magnesium	2	—	—
Salt	870	1,000	1,000
Soda Ash	72	—	—
Pulp	120	400	400
Asbestos	5	—	—
Lead	124	—	—
Gold (total amount for 5 years)	200 (b)	300 (b)	300 (b)
Automobiles	4,000 (c)	—	—
Aeroplanes	240 (d)	—	—

Note: (a) In 1,000 kilowatts (c) Cars.
(b) In million yen. (d) Aeroplanes.

Results of the First Year of the 5-Year Plan

It may be of interest to review what has been actually accomplished in the first of the five years set for the industrial expansion. It should be noted above all that the China war, although occurring in the midst of the year in question, namely in 1937, had no material effect on this plan, as far as its progress was concerned. While Japan's wartime requirements had incontestably their effects upon her supply of capital, building materials and raw materials, the plan as a whole was carried through as originally conceived. Manchoukuo being in a backward stage of development, the first

year was chiefly devoted to the business of laying foundations. This was especially conspicuous in the coal liquefaction enterprise; for the whole business had to start with the selection of a site to the placement of orders for machinery. From the financial point of view, all this foundation work for the first year involved a total outlay of 450 million yen, which was provided by the Manchoukuo Government and the participating "special corporations."

In the fields of mining and metallurgical industries, especially iron and steel which form the most important part of the current programme, and in coal-fired electricity and soda ash, progress has been made as originally proposed. In railway construction, road and harbor works, and provision of communication systems the proposed plan was carried through generally on time, despite the wartime drain on labor and material resources.

The foundations for livestock raising and agriculture were completed in view of their close bearings upon daily life. But in the matter of spreading the idea of integrating the crops the results achieved so far are not so successful, because of the incompetency of the men employed for that purpose and also on account of the adverse conditions imposed by floods.

Next, in the field of mining and manufacturing industries mentioned should be made, first of all, of the Showa and the Pensihiu Iron Works. The former at once set about their two successive plans, the third and the fourth, under which a pair of 700-ton furnaces and another pair of furnaces of equal capacity are to be installed. Now that these successive plans are so far advanced as to promise their completion in the year 1940, the production of pig iron to the amount of 700,000 metric tons, and of iron and steel to that of 600,000 metric tons, was successfully accomplished for the first year as originally proposed. The output of coal for the first year was 3 million metric tons as against the 4 million proposed. This was partly due to the great emphasis laid on the opening of new mines rather than the existing deposits and partly because the business year of the Manchuria Coal Mining Company did not coincide with the calendar year, on which the statistical data was based.

The output of gold, which is to be 200 million yen for the 5 years, amounted to approximately 12 million yen as against the 14 million yen set for the year in question. This branch of the

metallurgical industry is thought promising because of the extensive plan to be launched by the Manchuria Mining Company, one of the affiliated enterprises of the Manchuria Industrial Development Corporation. The output of 300 million yen proposed under the revised plan is thought a goal by no means too difficult to attain.

The manufacture of liquid fuel is represented by the Fushun plant operating with oil shale from open pit mining, the Mitsui enterprise at Chinchow and the Chemical Oil Industrial Company's plant at Ssupingkai. But none of these establishments were ready to turn out produce for the first year, namely 1937, their work being confined to foundation work. The Mitsui enterprise was originally planned to be placed closed to the Fushun coal mine, but Chinchow is the present choice. The plans to liquefy coal at a point in Chientao and at Sansing have been abandoned, while Shulan and Ilan in Kirin Province have been added to the prospective list. The Manchuria Synthetic Fuel Company under the control of the Mitsui interests has completed its foundation work at Chinchow. The Chemical Oil Industrial Company at Ssuping-kai, making better progress, has set about installing the machinery, their product being expected in the market in 1940.

Results of Second Year of the 5-Year Plan

The Five-Year Industrial Plan during its second year of operation in 1938, according to the report of the Industry Department, on the whole progressed smoothly. It achieved more than its desired results in the field of steel production and electric generation while in the other fields of mining and manufacturing preparations and equipments were completed practically according to schedule but production process was delayed. Except a 33 per cent decrease in the production of salt as compared with the result obtained during the first year, productions rose in all branches of the Plan.

Iron and Steel. In the production of pig iron, steel materials, and steel ingots, an increase was registered respectively of 17 per cent, 50 per cent, and 18 per cent as compared with the results obtained during 1937, the first year of the Five Year Plan. This meant an attainment of the second-year goal to the extent of 99 per cent for pig iron, 112 per cent for steel materials, and 95 per

cent for steel ingots. Moreover, a result beyond expectation had been obtained in the installation of furnaces and other equipments, mostly made in Manchoukuo. In the construction of hydro-electric power plants, all foundation works progressed according to, or even beyond, the schedule.

Coal. In the production of coal, an increase of roughly 5 per cent was achieved over the first year results, the Manchuria Coal Mining Company producing 300,000 tons and the S.M.R. collieries chalking up 800,000 tons. The chief difficulty felt was the shortage of labor and lumber supplies. The lag in the importation of equipments and materials have caused a delay in the construction of coal-liquefaction plants.

Soda and Pulp. The production schedule of soda and ammonium sulphate progressed smoothly, but the production of pulp did not measure up to the second-year goal due chiefly to the delay experienced in the utilization of forest resources in the Hsingau Ranges.

Gold, Zinc, etc. In the realm of gold, zinc, lead, copper, aluminium, and magnesium industries, concentrated efforts were still being directed in completing preparations for increased or initial productions and, naturally, the actual production was 24 per cent short of the expected goal. The salt industry lagged and the production reached only about 40 per cent of the goal on account of the excess of rainfalls.

Agricultural Plans. The agricultural plans received an unexpected setback on account of damages caused by cold and flood. Besides, the program of establishing Agricultural Cooperative Associations did not progress according to schedule and their participation in the program of increased production was sadly delayed. Yet, the program of opening up new farms progressed steadily and general results as shown by the third crop estimate for 1938 was fairly satisfactory. The productions of soya beans, maize, rice, and tobacco exceeded the expected results; of some 182,000 hectares of the area under cotton, only some 156,000 hectares matured due to the unreasonable cold weather but the actual yield was comparatively good; the wheat, kenafe, and lucerne crops did not measure up to the required goal due to abundance of rain, while the flax and wild silk productions were on the whole satisfactory.

Livestock Industry. In the live-stock industry, accurate fig-

ures are yet unavailable but the actual increase was reported to be on the whole up to the estimated figure. Consequently good results were secured in the improvement of the quality of pork, beef, skins, and wool, while the results obtained in the case of sheep, horses, and cattle were nothing outstanding. The question of improving the entire field of livestock industry, thus remains for the third year to face.

Railways, etc. In the construction of railways, highway, and harbors, results exceeding expectations were registered. Passenger and freight traffic was 100 per cent of schedule on the State Railways and about 70 per cent on private transit services. Construction and repair of roads and highways connected with defense and industrial promotion were realized to an extent of 225 per cent.

Immigration. The outbreak of the China Incident has unavoidably impeded the set programs for Japanese immigration into Manchuria and the actual number entering the country fell short of 25,000 households, which is the combined quota for the first two years. This shortage was amply made up, however, by the arrival in Manchuria of the newly inaugurated youth volunteer settlers, of whom 17,429 entered various training camps in Manchoukuo during 1938. These youths, after two-year training, will join various types of Japanese settlements. Moreover, the Japanese colonists had a net income of about 800 yen on the average from each cho of land (0.991 hectare or 2.46 acres) after deducting living expenses, repaying borrowed capital, and meeting miscellaneous expenditures, the yield from each cho of land being between ¥1,800 and ¥2,000.

Funds. Of the estimated fund of 850 million yen needed for the second year of the plan, about 80 per cent had been actually secured. This included the yen-funds of 460 million yen, comprising 150 million yen from Japanese bond flotations, and 310 million yen raised by special corporations in Manchuria. With the exception of the Manchuria Coal Mining Company, the other special corporations on the whole succeeded in raising their needed funds without much difficulty. Due to the dismal international situation and the lag in exports the expected amount of foreign capital could not be obtained in 1938.

Results of Third Year of the Five Year Plan

The results of the third year (1939) of the Five Year Plan were outlined in an address delivered on May 8, 1940 by Mr. Naoki Hoshino, who was director of the General Affairs Board at that time. Mr. Hoshino's address, in essence, is as follows:

"In looking over the actual results attained in the progress of industry during last year (1939), it cannot be said that remarkable developments were witnessed. However, a different conclusion is reached when the true situation at home and abroad is taken into consideration. Owing to the expansion of the China Affair, the occurrence of Manchoukuo-Soviet border incidents and the outbreak of the European War centering around Germany with which Manchoukuo has the closest relations in foreign exchange and materials, development plans were gravely affected and numerous adverse conditions impeding the Five Year Industrial Plan were successively encountered. When the reports presented at this meeting are studied taking into consideration such unfavorable conditions, it may be said that although the figures did not come up to expectations considerable progress was actually made in comparison with the preceding year, thanks to the unremitting efforts of the authorities concerned and the nation at large.

"It is worthy of note that numerous achievements not indicated by figures were attained last year. The damming of the Second Sungari and Yalu rivers was completed at the end of last year—an unprecedented feat in the Far East. Thus the 600,000 kilowatt and 700,000 kilowatt hydro-electric generation projects are near completion. The attaining of such results in face of untold difficulties is something which Manchoukuo can well be proud of.

"A survey of the Fuhsin oil field has been completed and although no oil has gushed out as yet, it is gratifying that the existence of a large oil field has been confirmed. At Fushun the experimental liquefaction of coal by hydrogenation has been successful while the manufacture of aluminium from Manchoukuo's own resources has also been established. At Yingkou the production of magnesium from domestic raw materials on a commercial basis has been undertaken. The existence of such valuable minerals as molybdenum and tungsten has also been confirmed and installation

of equipment for their production has been completed. Although the above enterprises are not indicated by figures, it is encouraging that they have contributed greatly to the development of industry and the establishment of Japan-Manchoukuo autarchy.

"Although such results, needless to say, have been attained thanks to the untiring efforts of the authorities concerned and those engaged in various enterprises, we must not forget the wholehearted assistance given by Japan which made the execution of the plans possible. Notwithstanding the numerous adverse affects suffered by economic circles in Japan, the Japanese Government and nation have accorded unprecedented assistance to Manchoukuo in the supply of materials, funds and man-power. Imports of commodities from Japan in 1937, the first year of the Five-Year Industrial Plan, amounted to only MY500,000,000, but this figure trebled to MY1,500,000,000 last year, while Japanese investments in the new State during the same year totalled MY1,100,000,000.

"The abundance of resources in Manchoukuo has been fully confirmed by laying last year the basis for industrial development. Although immediate development of these resources cannot be expected, the industries of Japan and Manchoukuo will be placed on a solid foundation in the future, thereby ensuring smooth execution of the Five-Year Plan.

"We must, however, not be satisfied with the results attained last year. Although a sufficient supply of materials and man-power for all enterprises cannot be obtained, Japan and Manchoukuo must mobilize their national strengths and exert themselves to the utmost in the execution of the Five Year Plan. The responsibilities of both nations are great. Before cursing the shortage of materials, we must express gratitude for the materials given us, and use them most effectively.

"I next wish to call the special attention of those concerned to the following matters in the execution of the Five Year Plan:

"(1) It is imperative under existing conditions to obtain the maximum results in accordance with the policy of laying emphasis upon urgent and vitally important enterprises. It is earnestly hoped that all concerned will realize their heavy responsibilities and undertake their allotted tasks with magnanimity.

"(2) It is also vitally important to make full use of existing equipment. It is only when the equipment, erected by mobilization

of national strength, is used to the fullest extent that other construction activities can progress smoothly. Further efforts are necessary especially in the case of basic industries whose present equipment must be fully utilized.

"(3) Effort must also be made to increase efficiency and economize in expenditures. It is a mistake to think that cost should not be considered in the execution of national policy. Retrenchment implies obtaining the maximum results with the materials and labor at hand. Although all concerned are undoubtedly undertaking their tasks with this in mind, I hope that they will exert further efforts along this line in the future.

"(4) New methods must be devised to deal with the present situation. Inadequate investigations have been conducted regarding methods of using materials and man-power owing to the fact that Manchoukuo has hitherto depended largely upon China for the supply of labor and upon Japan for brains. Hereafter means must be devised to use substitutes and to make most efficient use of materials at hand. For this purpose close liaison must be established between the Government and various organs concerned.

"In order to ensure the smooth execution of the Five-Year Plan the Government and the organs concerned should act as one man. Along with the execution of this plan the Government intends to carry out the following measures:

"(a) The Government will endeavor to further strengthen the system of mobilizing and distributing commodities by maintaining close connection with the Japanese Government, in order to ensure smooth execution of various enterprises.

"(b) Closer connection will be maintained between the Government and special corporations so as to enable them to act in concert. For this purpose principal concerns will have special inspectors appointed by the Government.

"(c) Efforts will also be made to stabilize foreign exchange and to mobilize domestic funds. In order to prevent the shortage of commodities and inflationary trends, the Government and special corporations should set an example to the nation in the proper use of domestic funds.

"(d) Further efforts will be made to increase the production of foodstuffs necessary for national livelihood. With the rapid development of Manchoukuo it is certain that the population of

the country has exceeded forty million. In order to carry out industrial development plans satisfactorily, the production of staple foodstuffs must be increased. With this in view the Government is launching this year a plan for expanding foodstuff production.

"Japan and Manchoukuo entertain great expectations regarding completion of the Five-Year Industrial Plan and are earnestly hoping for its success. Our responsibilities are great indeed. Our tasks are of a constructive and positive nature and not of a desperate or limited character. Although arduous, they are the pains of travail. The difficulty of developing the country, moreover, indicates the loftiness of our ideal and attests to the grand scale of our enterprises. As we have a bright future, I earnestly hope that all those concerned will strive for the successful execution of this undertaking with greater confidence."

Percentage of Accomplishment by Enterprises. At the same meeting on May 8, 1940 Mr. Susukida, vice director of the General Affairs Board, went into greater detail with regard to the accomplishments of the third year (1939) of the Five Year Plan, giving several enlightening percentage figures on the actual results obtained. A résumé of Mr. Susukida's report follows:

"Unprecedented difficulties in securing equipment for the expansion of various production efforts were surmounted and highly gratifying results were attained during the third year of the Five-Year Industrial Plan as a result of the most effective use of materials and funds and emphasis placed upon the development of urgent and vitally important industries.

"In the mining and manufacturing industries, emphasis was laid upon the production of coal, iron, non-ferrous metals and electric power generation, and as a result of diligent efforts along these lines, 80 per cent of the projected output of iron and steel was achieved, the actual production representing an increase of 20 per cent in comparison with the preceding year.

"As regards coal, production was only five per cent short of the projected output and was 33 per cent higher than the year before. Aluminium production at Fushun was 100 per cent successful, while installation of equipment for production of other non-ferrous minerals has been completed on the whole. There are prospects that Manchoukuo will become self-sufficing in lead and zinc in the near future.

"As regards caloric power generations, 97 per cent of the projects planned during the third year have been completed and electric power generated represented an increase of 30 per cent over 1938.

"Numerous adverse conditions in the construction of hydroelectric enterprises were overcome and the damming of the Second Sungari and Yalu rivers has progressed according to plan, a notable feat of Eastern engineering. Construction of the dams on these two rivers will be completed by the end of next year.

"Notwithstanding natural calamities which visited various districts, the actual output of raw cotton, tobacco, sugar beets, kenaf, flax and other special products, as well as rice, kaoliang, maize and other products consumed as food was from 90 to 100 per cent of the projected yield. The yield of soya beans, perilla seeds, wheat, barley and oats was between 70 to 80 per cent of the projected quota. In the livestock industry, actual results attained in sheep, cattle, horse and hog raising surpassed the plans.

"During the year under review basic land development plans and the fundamental policy for guiding and assisting settler groups were established. The number of Japanese households who had made their homes in various group and collective settlements by the end of March this year totalled 20,000, while 31,000 members of volunteer youth corps have also migrated to Manchoukuo. Last year's plan for settlement of collective settlers has been 90 per cent successful, while the number of group settlers who migrated to Manchoukuo actually exceeded the quota. Many more are coming.

"In the fields of communications and transportation, 96 per cent of the projected enterprises have been completed—a feat worthy of admiration when it is considered that they were chiefly undertaken in remote districts of the country.

"The raising of funds during the year under review has been 100 per cent successful."

Development of Eastern Manchoukuo

The province of Tunghua—a region which is popularly known as "Tungpientao"—possess a large wealth of natural resources. The government is therefore directing its efforts to exploit this region

with an outlay of 1,000 million yuan. The development operations have been entrusted to a company which was organized in September, 1938 with an authorized capital of 30,000,000 yuan, of which 15,600,000 is paid-up. It is known as the Tungpientao Development Company.

Iron. Among the important natural resources of this region are iron and coal. Iron ore deposits are to be found in Tailitsekou, Chitaokou and Laoling. Coal deposits are located in Tiehchangtse, Wutaokiang, Tataokiang, and Yentungkou, while beds of limestone and fire clay are to be found also in the neighborhood of Tailitsekou. The deposits of high grade iron ore in Tungpientao are estimated altogether at 100 million metric tons, while reserves of lower grades are put at several times the amount. The area consisting of Tailitsekou in the east and Chitaokou and Santaokou in the west forms a rich mineral zone with dimensions of fifty kilometers from east to west and fifteen kilometers from north to south.

Coal. Coal deposits in Tiehchangtse, Wutaokou, Pataokou, and Yentaokiang are estimated at 200,000,000 metric tons, an amount reported to be definitely established. Further reserves estimated at 30,000,000 are said to be located in Wankou, Sunshunchen and Suitungkou, situated north of Linkiang.

Tungpientao Development Company. The object of the Tungpientao Development Company is to engage in (a) the mining of iron ore, coal, and other minerals necessary for the iron industry, as well as the sale of these minerals, (b) the manufacture and sale of pig iron, steel and by-products, (c) the manufacture of, and processing of pure iron as well as the sale of products, (d) the operation of business connected with the above, and (4) investments in, and accommodation of funds to enterprises connected with the above. The corporation forms an important branch of the five year industrial programme of Manchoukuo. With the development of its enterprises, the company expects in 1942 to attain an output of 1,670,000 tons of iron ore, 1,300,000 tons of coal, 500,000 tons of pig iron, and 100,000 tons of pure iron.

The first stage of the company's enterprises is to be devoted to the mining of iron ore and coal, along with the manufacture and sale of iron. In the second stage, iron foundries will be established to turn out 500,000 tons of pig iron a year. The figures of the

output of iron ore and coal scheduled for the fiscal year 1939-40 are as follows: Iron ore: 350,000, consisting of 200,000 tons at Tailitsekou and 150,000 tons at Chitaokou. Coal: 400,000 tons, consisting of 150,000 tons at Tiehchangtse, 150,000 tons at Wutaokiang, 50,000 tons at Pataokiang and 50,000 tons at Yentungkou.

During the fiscal year 1939-40, transformer stations and engineering works were to be established and other equipment installed in several mining places, while in Erhtaokiang the construction of works for iron, establishments for coking and washing coal, a central power station as well as central engineering works were to be commenced or completed. Mines already being worked or about to be worked supply indices to the subterranean wealth yet to be discovered. The following are brief sketches of the individual mines:

The Tailitsekou Mine is located in Linkiang prefecture, Tunghua Province. Although the district belongs to the region of the Laoling mountain range, a motor bus service is now available between Tunghua and Linkiang, and between Tunghua and Laoling, thanks to the improvement of communications since the foundation of Manchoukuo. The whole line of the Tunghua-Linkiang Railway, which is being constructed for developing Tailitsekou was to be opened to traffic in June, 1940, affording direct access to the mine. Old chronicles record the existence of iron in the district, and toward the end of the Manchu dynasty, attempts were made to exploit the deposits. But scientific exploration of the district began in 1908, when the S.M.R. Geological Institute sent experts to the region. Since that date, several exploring parties visited the locality. Expert investigations established the superior quality of the Tailitsekou ore, and with the formation of the Tungpientao Development Company in 1938, regular exploitation of the mine was commenced.

Tailitsekou ores are hematite, for the most part. More than a dozen hematite veins, ten meters or more in thickness, run mostly in parallel lines, greatly facilitating operations. The ore has an average content of 63 per cent, a grade rarely found in any part of the world. The high quality of the Tailitsekou ore is readily understood, when it is remembered that ore in North America, well known for its quality, does not exceed 51.5 per cent in average content. The deposits of hematite ore in Tailitsekou and neighbor-

hood are estimated at 72,000,000 metric tons. In addition to hematite, magnesite and chamoisite are found in the district, the reserves of the former are estimated at 1,560,000 tons, the figure for the latter being 4,000,000 tons. The chamoisite ore has a manganese content of fifty or sixty per cent serving to remedy the shortage of manganese in Manchoukuo. Regular operation of the Tailitsekou mine began in the second half of 1938 and the goal is the achievement of 200,000 tons before the end of 1940.

Exploitation of the Chitaokou mine, located in a mountain region forty miles south of Tunghua, will be immensely facilitated by the completion of the railway line up to Chian. The S.M.R. Geological Institute despatched experts to the district in 1908, followed after an interval of years by exploring parties in 1933, 1936 and 1937. Exploitation of the mine began with the establishment of the Tungpientao Development Company in 1938. The major ores are hematite and magnesite, with several veins as thick as 10 meters or more. The average iron content of both the hematite and magnesite is 52 per cent. Although the Tailitsekou ores are not so high in quality as Chitaokou hematite and magnesite, this is amply made up for by the high percentage of manganese contained. The mine is in the initial stage of exploitation, operations consisting largely of preparatory work, such as the sinking of shafts and the removal of earth. With the completion of the railway siding from the Meihoko-Chian line in 1939, regular open-cut operations were to be commenced. The ore output scheduled for 1939 was 150,000 tons, to be raised to 300,000 tons in a couple of years. For that purpose, necessary equipment, including the construction of a transformer station, engineering works, etc., is being pushed.

The Tiehchangtse colliery situated 25 kilometers southeast of Tunghua, was exploited from time to time by the Manchus in bygone days. With the launching of Manchoukuo's five year industrial programme in 1937, the Manchuria Colliery Company began working the mine, which was transferred to the Tungpientao Development Company in September, 1938, when the new company was inaugurated. Tiehchangtse coal is a semi-anthracite, or bituminous variety of a high grade. The deposits are estimated at 19,000,000 metric tons. The output scheduled for 1939 was 300,000 tons, which was to be increased to 400,000 tons in 1940. Exten-

sions were being pushed with that end in view. In point of immensity of deposits, the Wutaochiang colliery located at a short distance from Tunghua, surpasses any others. The reserves here are roughly estimated at 100,000,000 metric tons. The strong point of the Wutaochiang colliery is that the coal is of superior quality, being a semi-anthracite or bituminous variety. In a survey of coal mining in Manchuria, the Pataokiang, Yentungkou, and other collieries, all worked by the Tungpientao Development Company, are worthy of creditable mention. The mineral resources of Tungpientao, or Tunghua Province, are doubled in value because of the existence of iron ores and coal in comparatively close proximity.

DEVELOPMENT PLAN OF NORTHERN FRONTIER DISTRICTS

Immediate development of the northern frontier districts of Manchoukuo is receiving keen interest due to the growing industrial importance of these districts, possessing as they do fertile farming lands and abundant natural resources.

It is evident that these districts which have been neglected because of their remoteness have great potentialities. The frontier district development policy is an ambitious scheme entailing the total expenditure of one billion yuan over a period of years. The fundamental parts of the plan is scheduled to be completed by the end of 1941. Of the total expenditure, the Government will disburse 200 million yuan, the special corporations, another 200 million yuan and the South Manchuria Railway Company, 600 million yuan.

The plan closely interwoven with the five-year industrial programme and the colonization policy, provides for better control and expansion of traffic and communication facilities, construction of cities; the completion of electric, water, riparian and defence works, increase of the output of farm and livestock products as well as the development of other industries, improvement of facilities for distributing and concentrating various merchandise and materials, and also for ensuring full and free supply of labor and preventive measures against epidemics.

Details of the Plan

Adjustment and Renovation of Traffic, Communication Facilities. The sum of 600 million yuan will be allotted for the repair of railway lines, the construction of new railroads, and for provisions against flood disasters, against air raids, and connections with other traffic facilities.

Importance will be placed upon the improvement of motor roads, and to the linking of them with railways and other transport facilities. Measures will also be instituted against water disaster, for air defence, for passage through marshy districts and against winter and rainy seasons. About 7,000 kilometres of new roads will be laid and some 5,800 kilometres of roads will be repaired.

Concerning motorcars, special consideration will be paid to service stations, selection of standard cars, increase in their number, training of chauffeurs and guards, and improvement of their quality.

Concerning communications, trunk lines will be turned into cables. The northern districts especially are to receive the greatest attention upon this point. About 40,000 kilometres of wired telephone facilities will be created.

Concerning radio broadcasting, special attention will be paid to the promotion of culture in the northern districts, about 50 radio towers and some 2,000 listening-in stands to be created besides new radio stations.

Concerning postal administration, postal control bureaus will be created, and altogether 30 postal administrative offices established; mobile post-offices are also planned; improvement of mail facilities will be expedited by coordination of railways, motorcars, airplanes, ships, etc.

Concerning aviation, basic air establishments and equipment will be improved, the number of state-owned aerodromes increased, urgent improvements made in air routes, airline employees trained, and local airfields expanded.

Concerning riparian work, the northern districts will be given foremost attention. Transport will be improved upon rivers. In Hailar and other big cities, provision will be made against floods, Sungari navigation will be bettered, the Mulin river (near the Mon-

golian border) will be kept from overflowing, shipbuilding yards are to be improved and seamen's institutes created. The sum of 13 million yuan is to be appropriated for this purpose.

Electricity, Water Supply, City Planning. Culture in the northern districts is to be encouraged, by expanding power supply, so that all outlying regions may be electrified. Thirty power plants are to be created on an outlay of 100 million yuan.

Concerning the water supply, city waterworks will be expanded, facilities for the supply of well water are to be constructed at a total cost of 9 million yuan.

Concerning city planning, public facilities are to be given foremost attention, roads improved on total disbursement of 500 million yuan.

Colonization. According to the general principle for colonizing the northern frontier districts, Japanese immigrants, eligible Koreans and Manchus will be settled in zones contiguous to the frontier. In particular uninhabited areas will be exploited by young pioneers and colonists for reinforcement of the northern frontier, while 230,000 hectares of arable land will be cultivated on an outlay of 22,500,000 yuan.

Labor. While rationalizing the supply of labor necessary for development of the northern frontier districts, the Government will provide against any inordinate scramble for workers, for stipulation of wages, for an adequate supply of recreative comforts for workers, in order to maintain and preserve the labor supply for the purpose of smooth progress of construction. One million yuan is allotted for lodging workers during this fiscal year.

Production and Concentration of Materials. Concerning agrarian and marine products, an increase in output is to be encouraged. Land to the extent of 370,000 hectares will be cultivated. For an increase in the volume of production, laboratories will be extended, seeds and excellent saplings are to be distributed, vermin are to be exterminated, methods of rearing plants to be improved, all for rationalization of farm operations. Farmers' co-operative societies are to be created for increased production of oats, hay, barley, wheat, paddy rice, vegetables and other edibles.

Concerning pastoral products, cows, swine and chickens are to be raised in larger numbers. Excellent breed of these animals and fowls should be maintained, on an appropriation of 8 million

yuan. Another sum of 25,000 yuan is allotted for encouragement of marine production.

Concerning the concentration of various materials, adjustment of distributing organs and warehousing and supply of construction materials, the fundamental principle of northern development is to be always kept in mind. For this purpose, central and local adjustment commissions are to work in unison for a well-adjusted supply of materials. Bonded warehouses are to be established first at Mutankiang and Chiamussu.

Construction materials will be supplied first to the northern districts. In order to encourage private industries, encouragement should be given to manual industry, repair work, cement manufacture, brick making, livestock and marine enterprises, coal and other mining activities, charcoal burning, and such local industrial activities.

Thorough Air Defence. Concerning national defence work in the northern frontier districts, important cities and their vital organs will be more strongly protected, and various measures will be enforced for the maintenance of civil life.

Sanitation and Prevention of Epidemics. Concerning sanitation, preventive measures will be increased against epidemics, especially in the northern regions.

In order to track origins of epidemics and prevent epidemics from spreading anti-epidemic institutions and hygienic laboratories should be established at Mutankiang, Chiamussu, Heiho, Hailar, Tungan, Peian, Tumen, etc., while in chief hsiens and Mongol banners, hygienic experts and assistants will be stationed, equipped with anti-epidemic materials.

At 35 spots including the administrative seats of Mutankiang, Tungan, Sankiang, Heiho, Chientao, Peian and North Hsingan Provincial Governments, the Central Government, the South Manchuria Railway Company and the Manchoukuo Red Cross Society, are to establish their respective hospitals and clinics as quickly as possible, to meet civic requirements.

In order to diffuse anti-epidemic and other medical ideas consideration will be paid to the adequate supply of sanitary materials such as vaccine serum and other medicaments at 50 cities and other important administrative centres.

Unification of Hsieh-ho-hui Organs. The Hsieh-ho-hui (Con-

cordia Association) in the northern frontier districts is chiefly to improve various organs for enlisting voluntary cooperation on the part of the local populace and for thorough propagation of anti-Communism, among the people. Two new provincial headquarters of the Society are to be created, in addition to 17 hsien headquarters.

Other Provisions. In order to remove any complaint about scarcity of housing provisions, official residences and domiciles will be built for those working in the afore-mentioned provincial, hsien, and other administrative organs. For business liaison, assembly and recreation, various halls and clubs will be created. Obstetric clinics, nurseries, gymnasia, libraries, boarding houses and houses for recreation and amusement, will be built.

Altogether 2,500 official residences are to be prepared for families, 13,000 houses for bachelors, 7 clubs, 400 civic buildings for recreation, and 800 radio sets and gramophones are to be distributed together with 1,200 chess boards and 130,000 magazines. Two sanatoria are also to be built. The sum of one million yuan will be appropriated for this purpose so vital for inspiring Manchurian pioneers with fresh vigor for forthcoming construction in East Asia.

CHAPTER VII STATE FINANCE

Historical

Each province of Manchuria formerly had its own financial administration which was conducted in an unsystematic fashion. The budgets were made public, classified by province, districts, and municipalities, but executive duties were left mostly to the discretion of the House of Changs or to provincial and district chieftains.

In matters of taxation, the Finance Board, the highest financial agency in each province, commissioned local tax offices to collect revenues, but each province had its own Business Board, Military Board, and Education Board, each of which enjoyed the privilege of collecting part of the levies. Rates and classifications also varied considerably. Furthermore, the Provincial Finance Boards exercised only limited control over the district and municipal financial agencies.

Manchuria's finances were naturally in a chaotic condition. Deficiencies in revenue were met as a rule by inflated circulation of paper money by the issue banks, with the result that the position of the issuing banks often became unsound. Public confidence in their paper notes diminished and their value was often subject to violent fluctuations.

When the new government was set up at Hsinking on March 1, 1932, no time was lost in instituting reforms. The administration of the State's revenues and all other matters of finance were placed in the hands of the central agency of public finance, the Department of Economics. At the same time, for the supervision of State expenditures, the Accountants' Bureau was provided.

As the next step toward financial stability, laws were introduced, on June 13, 1932, inaugurating the Central Bank and creating a State currency. The unit for currency was fixed on a uniform basis, the operation of finance and currency was entrusted

ed to the strong central banking institution, and the State treasury was placed under unified control, all of which prepared the way for the introduction of the bond issue policy. Further, all maritime customs offices of Manchuria, with the single exception of Dairen, were taken over, the provincial finance boards were abolished, and the Taxation Superintendence Bureau created. Central state finance was thus secured on a sound basis by the extension of efficient control over the tax offices and by drawing a distinction between state and local taxes.

Budget System

With the independence and unification of state finance thus achieved, the first budget was drawn up on October 18, 1932. Later developments in the budgetary system were the division between general and special accounts, a reduction of reserves at the State treasury, the institution of a sinking fund system, and unification of the budgetary operations of local administrative offices under a control system. The former tax collecting agencies were taken over, and old rates of imposition were followed as a provisional measure for some months after the establishment of the State. Gradually steps were taken to adjust certain taxes and to abolish those where the burden was excessive or irrationally allotted.

Now that this first program of tax adjustment has been completed, a second plan is under consideration, the objective being a taxation system adjusted to the changed conditions of the country.

Customs revenues constitute the main source of Manchoukuo's income. When the State first came into existence, it was under the pressing necessity to adjust and consolidate the customs system. The Government carried out certain provisional revisions of the export and import tariffs from July, 1933, to November, 1935, thus gradually rectifying the system with regard to its inequitable points and along lines dictated by the industrial policies of the country. The network of customs was extended, the personnel of the staffs improved, and the operation of bonded import institutions systematized. These measures were followed in January 1938 by a law for the consolidation of customs along modern lines.

Three Basic Functions

To summarize, the new State of Manchoukuo has attained its present stage of development through the establishment of peace and order as well as financial stability under the first stage of constructive work up to the year 1936. In the second stage since 1937, the national policy has no longer been confined to the principles of securing sound finance alone, but has moved in the direction of rational and progressive development. These rational and progressive principles of state finance may be placed in three divisions, based on divisions of state activities. (A) government finance, (B) welfare and material resources development finance and (C) enterprise finance.

Government finance provides the administrative expense required for the maintenance of the national policy. The second is to provide for the administrative expenditures involved in the promotion of national welfare and material development with a view to stabilizing and improving the national economic life of the country. "Enterprise finance" proposes, on State initiative, to provide for the expense incurred in the operation of State enterprises or controlled industries.

Government finance will follow the principles of sound economics as far as possible, avoiding budgetary deficiencies and financial expansion. Welfare and material resources development finance will be fundamentally based on bonded borrowings, against which taxation will be instituted to provide definite sources of revenue for eventual redemption, thus keeping the condition of State finances unimpaired as a whole. Enterprise finance will also be conducted through public borrowing, but in a manner to provide growth and development without external assistance.

While financial operations are thus internally classified, they are at the same time externally unified and co-ordinated, and both central and local finances are considered from a consolidated national standpoint. In addition to the principle of maintaining the elasticity of the whole financial structure in order to meet the current emergency conditions of the country, the internal taxation system and the machinery for collection have been established to meet the requirements of wartime fiscal operations. In the field of State monopolies, the system has been improved to meet the

requirements of State enterprises and national defense programs. Thus, it should be clear that Manchoukuo's finances have been built upon a firm and sound foundation.

After the establishment of Manchoukuo it was necessary to compile the budgetary estimates on a monthly basis. Beginning with the year 1932, the fiscal year was fixed for twelve months from July 1 of each year, but in 1936 this was changed, and the fiscal year now corresponds to the calendar year.

Budgetary Policy

In determining the budgets, two main principles have been followed. On the revenue side, no increase in taxation would be made and public borrowing avoided as far as possible. On the expenditure side, preference should be given above all to maintaining peace and order. Industrial development and general welfare should receive attention only when there was a surplus of funds available for the purpose. These principles were followed until 1937 when the country entered upon the second stage of constructive development. A departure was then made from the non-borrowing policy in favour of a more progressive policy under which State bonds are to be issued to provide funds for the betterment of national life and for the development of industries.

State expenditures have increased yearly, and taking the year 1932 as 100, expenditures for 1939 stood as high as 1,100, a figure well indicative of the rapid financial growth of the country, accompanying the development of its national power.

Composition of the Budget. Manchoukuo's budget is composed of General Accounts and Special Accounts, the latter being carried under 21 categories. Details of revenue and expenditures in these budgets are contained in accompany tables.

Table 1. YEARLY COMPARISON OF STATE FINANCE

(Unit: ¥1,000)

(A) Revenue

	General Account	Special Account	Total	Amount not Materialized	Net Total	Index
1932	137,957	41,632	179,589	29,815	149,774	100
1933	170,542	113,840	284,382	69,995	214,387	142
1934	199,930	220,081	420,011	80,706	339,305	225

(Continued)

	General Account	Special Account	Total	Amount not Materialized	Net Total	Index
1935*	106,080	131,518	237,598	54,803	182,795	121
1936	220,823	247,829	468,652	98,595	370,057	246
1937	283,148	691,118	974,266	342,610	631,656	420
1938†	304,555	1,128,837	1,433,482	541,433	892,059	592
1939†	403,378	1,353,957	1,757,335	726,638	1,030,697	674
1940†	573,555	2,025,230	2,598,785	946,940	1,651,842	1,100

(B) Expenditure

1932	137,957	41,632	179,589	43,302	136,287	100
1933	170,542	113,840	284,382	83,211	201,171	148
1934	199,930	210,063	409,993	78,106	331,887	244
1935*	106,080	97,991	204,071	18,609	185,462	136
1936	220,823	190,163	410,986	45,609	365,377	267
1937	283,148	656,223	939,371	299,291	640,080	470
1938†	304,555	1,088,572	1,393,127	503,388	889,739	650
1939†	403,378	1,288,262	1,691,639	646,525	1,044,814	770
1940†	573,555	1,927,475	2,501,030	861,168	1,639,862	1,200

Note: * This period covers only six months since from the following year, the fiscal year corresponds with the calendar year.
† Budgetary estimates excluding supplementary accounts.

Table 2. STATE REVENUES CLASSIFIED
(M¥1,000)

(A) General Account

Ordinary:	1935†	1936	1937*	1938*	1939*	1940*
Taxes & Duties	77,437	183,627	153,029	172,957	203,293	323,853
Customs Duties:						
Import Duties	35,973	76,363	72,827	85,156	95,144	160,959
Export Duties	5,856	13,133	13,351	10,769	11,729	10,203
Total incl. others	43,897	93,535	89,658	96,448	107,551	171,907
Inland Tax:						
Land Tax	4,265	9,533	9,464	10,436	11,056	9,114
Opium Tax	—	2,434	2,580	2,326	2,533	1,955
Income Tax	—	—	—	1,440	2,041	3,388
Liberal Profession Tax	—	—	—	200	176	205
Business Tax	4,277	9,585	10,003	14,181	15,625	24,003
Corp. Business Tax	3	474	1,230	3,686	5,008	16,618
Bourses	—	—	—	302	455	78
Production Tax	3,946	8,761	7,034	8,887	10,724	12,440
Taxes on Mining Lots	168	421	377	583	700	951
Taxes on Mineral Products	409	613	840	730	860	1,283
Stockbreeding Tax	1,184	2,816	2,210	—	—	—

(Continued)

	Dept. of Imperial Household	General % to total Board	Dept. of Affairs % to total	Dept. of Civil Affairs % to total	Dept. of People's Welfare % to total	Dept. of Foreign Affairs % to total		
1936 ..	2,120	0.96	49,433	22.38	40,849	18.50	1,531	0.69
*1937 ..	2,100	0.84	38,866	15.66	63,966	25.78	1,616	0.65
*1938 ..	2,100	0.69	103,178	33.88	Abolished July 1st, 1937	14,941	4.91	—
*1939 ..	2,100	0.52	131,381	32.50	1st, 1937	19,226	4.75	—
*1940 ..	2,050	0.35	210,275	36.66	—	31,925	5.56	—

	Dept. of Defence	Dept. of Public Peace % to total	Dept. of Finance % to total	Dept. of Economics % to total	Dept. of Industry % to total					
1931 ..	7,800	42.86	214	1.18	102	0.56				
1932 ..	43,710	33.72	24,036	18.54	634	0.49				
1933 ..	47,828	28.90	Established July 1st, 1937	25,891	15.64	Established July 1st, 1937	5,961	3.60		
1934 ..	60,029	31.84	19,534	10.36	11,630	11.56	5,159	2.73		
1935 ..	27,483	27.53	11,630	11.56	1937	3,168	3.17			
1936 ..	73,545	33.30	25,394	11.50	27,694	11.16	5,623	2.54		
*1937 ..	80,170	32.31	27,694	11.16	27,051	8.88	12,042	3.95		
*1938 ..	Abolished July 1st, 1937	111,905	36.74	Abolished July 1st, 1937	27,051	8.88	12,042	3.95		
*1939 ..	—	—	137,722	34.00	—	—	35,673	8.80	20,879	6.59
*1940 ..	—	—	181,011	31.56	—	—	62,390	10.88	43,799	7.63

† This department was renamed Department of Agriculture in June, 1940.

	Dept. of Communications % to total	Dept. of Justice % to total	Dept. of Education % to total	Dept. of Mongolian Administration % to total	Grand total %					
1931 ..	126	0.69	335	1.84	—	18,198	100.00			
1932 ..	1,645	1.27	3,814	2.94	420	0.32	1,416	1.09	129,635	100.00
1933 ..	2,925	1.77	5,730	3.46	851	0.51	2,257	1.36	165,482	100.00
1934 ..	3,352	1.78	7,507	3.98	5,808	3.08	2,898	1.53	187,242	100.00
1935 ..	2,091	2.09	4,526	4.53	2,870	2.87	1,526	1.53	99,835	100.00
1936 ..	4,116	1.86	9,886	4.48	5,090	2.30	3,231	1.46	220,790	100.00
*1937 ..	5,146	2.07	9,997	4.03	5,698	2.29	4,338	1.75	248,099	100.00
*1938 ..	21,798	7.15	11,540	3.78	Abolished July 1st, 1937	Abolished July 1st, 1937	304,555	100.00		
*1939 ..	44,007	10.90	12,450	3.09	—	—	—	—	403,378	100.00
*1940 ..	28,741	5.01	13,363	2.35	—	—	—	—	573,555	100.00

(B) Special Account (Expenditure)

	1933	1934	1935†	1936	1937*	1938*	1939*	1940*
Redemption Fund of Nation Loans	27,621	7,663	—	1,057	120,629	96,940	116,424	100,081
Pension	—	—	—	—	—	—	3,769	4,646
Capital Construction Bureau	7,743	6,713	4,839	6,201	5,232	2,147	3,200	6,595

(Continued)

	1933	1934	1935†	1936	1937*	1938*	1939*	1940*
Supplies	5,612	9,032	4,873	8,500	7,155	17,044	76,578	89,130
Northern Districts Development	—	—	—	—	—	—	—	86,900
Coordination Fund for Local Finance	—	—	—	—	—	42,700	37,575	65,160
National Loan	—	—	—	—	110,735	366,916	396,428	506,880
Construction of Hydro-Electric Power Works	—	—	—	—	3,149	16,382	30,566	32,017
Scientific Research Enterprises	—	—	—	—	—	2,166	4,849	6,668
Govt. Officials Mutual Relief	—	—	—	—	—	1,407	2,094	4,886
Army Cloth Depot ..	5,302	5,148	1,914	3,576	4,758	7,480	8,668	—
Arsenal	—	1,623	1,281	2,444	3,300	12,329	15,723	12,240
Army Supplies Depot ..	—	—	—	—	—	—	—	15,606
Horse Race	—	—	—	—	1,311	2,302	2,866	2,931
Monopoly Bureau ..	13,008	24,093	—	—	—	—	—	—
Salt Administration ..	17,218	12,404	5,880	15,419	—	—	—	—
Monopoly Enterprises ..	—	—	—	—	78,890	122,778	139,536	335,076
Opium	—	—	18,968	28,232	—	—	—	—
Oils	—	1,453	5,640	17,024	—	—	—	—
Opium	—	—	—	—	—	—	—	101,104
Colonization	—	—	—	—	—	—	42,313	79,960
Adjustment Fund for State Properties ..	1,437	4,001	2,247	2,990	4,144	5,122	10,552	19,961
Investments	—	15,945	10,909	23,875	91,448	326,215	280,327	252,695
Railway Loans	—	40,468	32,166	50,501	48,709	14,778	8,280	10,352
State Forestry Enterprise	—	—	—	9,161	14,113	24,443	74,251	112,087
Gold Ore Refining ..	—	—	—	87	1,500	5,388	—	—
Postal Administration ..	2,940	3,894	2,054	5,024	5,898	12,025	14,825	26,283
P.O. Life Insurance ..	—	—	—	—	—	631	1,393	3,825
River Improvement and Irrigation Enterprises ..	—	—	—	—	—	1,800	4,968	5,534
Prisons	—	—	—	—	5,115	7,579	13,076	18,763
Tatung Harbour Construction	2,742	—	—	—	—	—	—	14,342
Grand Total	90,845	132,437	90,771	174,901	506,086	1,088,573	1,288,262	1,927,475

Note: * Budget estimates, exclusive of supplementary budgets. As the result of changes in the administrative system enacted since July 1, 1937, the principal organs of the Civil Dept. and the Educational Dept. were abolished and incorporated into the Dept. of People's Welfare. Several other changes were also effected. These consisted of the transformation of Finance to the Dept. of Economics, and the Dept. of Mongolian Administration to the Hsingan Office.

† The fiscal year 1935 covers the six months only from July to December 31, a revision having been effected in 1936 to correspond the fiscal year with the calendar year.

Table 4. NATIONAL LOANS & BORROWINGS
OUTSTANDING

	(M¥1,000)						Grand Total
	Bonds			Borrowings			
	Internal	External	Total	Internal	External	Total	
1936 (Dec.) ..	92,675	154,000	246,675	61,700	16,100	77,800	324,475
1937 (June) ..	118,175	179,000	297,175	42,500	14,100	56,600	353,775
1938 (June) ..	298,175	243,000	541,175	62,555	14,000	76,553	617,730
1938 (Dec.) ..	348,175	334,250	682,425	164,493	12,000	176,493	858,918
1939 (Dec.) ..	454,175	407,900	862,075	445,086	10,000	455,086	1,317,161

Table 5. DETAILS OF OUTSTANDING NATIONAL LOANS
(End of 1939) (Unit: M¥1,000)

(A) General Account

	Rate:	Date Issued	Amount Outstanding		Date of Redemption
Central Bank of Manchou	5%	Apr. 26, '33	33,000	33,000	Apr. 25, '43
Old Regime Debts Readjustment ..	3%	Sept. 27, '33	5,998	5,998	June 30, '53
Custom Officers Bet- terment	5%	Apr. 30, '34	3,599	3,599	Apr. 30, '44
State Foundation Grant	5%	July 3, '35	8,150	8,150	July 3, '60
Readjustment (1st)	4%	Nov. 20, '36	1,624	1,624	Nov. 20, '46
" (2nd)	4%	May 15, '37	18,021	18,021	May 15, '47
Imperial Property Loans	4%	Apr. 1, '37	5,500	5,500	Apr. 1, '87
Former Mongol Monarch	4%	Jan. 1, '39	6,000	6,000	Dec. 31, '88
Total	—	—	81,892	81,892	—

(B) Special Account

	Rate:	Date Issued	Amount Outstanding		Date of Redemption
Purchase of Three Railways	6%	Dec. 26, '33	11,928	11,928	Dec. 25, '83
Investment (1st) ..	4%	Aug. 20, '34	¥10,000	8,800	Aug. 20, '47
" (2nd) ..	4%	Dec. 1, '37	80,000	80,000	Dec. 1, '47
" (3rd) ..	4%	Mar. 2, '38	100,000	100,000	Mar. 2, '48
" (4th) ..	4%	Dec. 27, '38	50,000	50,000	Dec. 27, '48
" (5th) ..	4%	Dec. 20, '39	100,000	100,000	Dec. 20, '49
N. Manchuria Ry. (1st)	4%	Apr. 25, '35	¥30,000	29,550	Apr. 25, '45

(Continued)	Rate:	Date Issued	Amount outstanding		Date of Redemption
(2nd)	4%	Aug. 15, '35	¥30,000	26,700	Aug. 15, '45
(3rd)	4%	Feb. 2, '36	¥30,000	29,850	Feb. 2, '46
(4th)	4%	Aug. 1, '36	¥30,000	30,000	Aug. 1, '46
(5th)	4%	Mar. 25, '38	¥50,000	50,000	Mar. 25, '48
Industrial Loans					
(1st)	4%	Feb. 1, '37	¥25,000	25,000	Feb. 1, '47
(2nd)	4%	Aug. 23, '37	¥20,000	20,000	Aug. 1, '47
Investment, Japa- nese Currency					
(1st)	4%	Feb. 15, '39	¥50,000	50,000	Feb. 15, '51
(2nd)	4%	Apr. 20, '39	¥50,000	50,000	Apr. 20, '51
Hydro-electric, Japanese Currency					
(1st)	4%	Oct. 10, '39	¥50,000	50,000	Oct. 10, '51
Investment, Japa- nese Currency					
(3rd)	4%	Dec. 20, '38	¥50,000	35,000	Jan. 15, '53
Total			¥797,283	780,183	—

The 1940 Fiscal Budget

The General Account and the Special Accounts of the Manchoukuo Government's budget for the fiscal year 1940, which coincides with the calendar year, were decided by the Privy Council on December 19, 1939 and promulgated on December 25. The revenue and expenditure under the General Account are estimated at ¥573,555,000 each, which is an increase of ¥170,177,000 over the previous year. The combined revenue under the Special Accounts is estimated at ¥2,025,227,000 and the expenditure at ¥1,927,475,000, which are respective gains of ¥671,270,000 and ¥639,213,000 million yen. Under the General and Special Accounts combined, the net revenue of ¥1,651,800,000 and the expenditure of ¥1,639,800,000 show increase of ¥621,200,000 and ¥595,000,000, respectively.

The expansion of outlay under the General Account arises mostly from increases for national defence, the increase of productive capacity, popular welfare, and the adjustment of local finances. New appropriations total ¥304,000,000, an increase of approximately ¥111,000,000 over the previous year, among which national defence calls for approximately ¥81,000,000, public welfare

¥54,000,000, the expansion of production ¥36,000,000, and new enterprises for local colonization and development ¥19,000,000.

The increases have clearly been effected in connection with undertakings that are required under the current wartime conditions both at home and outside the country. Nevertheless, in drafting the budgetary estimates the financial authorities laid paramount emphasis upon the two points of balancing the budget and meeting the requirements of industrial development; and from this standpoint they also adjusted the progressively expanding financial policy to the actual conditions of manpower and material resources. Under the General Account, for example, the revenue is estimated at approximately ¥417,000,000, with a surplus fund of ¥30,000,000 to be carried forward from the previous annual account, and consequently deficit-covering bonds are to be limited to the modest amount of ¥75,000,000, or only ¥10,000,000 more than in 1939. The public borrowing proposed under the Special Accounts is likewise to be governed by a policy of avoiding an undue increase yet with full consideration of the actual accomplishments in 1939 under the industrial expansion program. The amount of borrowing under these heads is to be ¥430,000,000, and the total amount of bonds to be issued under the General and Special Accounts is approximately ¥500,000,000.

With the issuance of bonds being thus curtailed, the increase of expenditures in general is to be met chiefly by ordinary revenues. The internal revenue from taxable sources is placed at ¥150,000,000, a substantial increase of ¥56,000,000 over the year 1939, while the customs revenue is estimated at ¥170,000,000, or an increase of ¥65,000,000.

The new undertakings under the 1940 budget are classified under the three main headings of, (1) those required for the development of national defence; (2) development of public welfare; and (3) local colonization and development. It is noteworthy that all the undertakings have been proposed with emphasis upon public welfare. This particular aspect of national policy has always received a fair amount of official attention, which is only natural since Manchukuo was founded on the basic principle of racial accord and harmony, but it is now being given more attention than ever before in view of the special conditions arising from protraction of the Sino-Japanese conflict and from the out-

break of the European war.

In line with the policy of stressing the essential enterprises, appropriations have been provided for in the 1940 budget for the execution of the following six activities:

(1) Adjustment of National defence. Full appropriations have been provided for the general improvement of the equipment of the national army necessary in the way of giving adequate training to its troops. Also increase in soldiers' pay has been obtained to improve the quality of the men. Expenditures concerning extension of aid to and protection of matters relating to national defence and facilities, which may be utilized to provide assistance to the same have been expanded.

(2) Expansion of productive capacity. For the thorough execution of the five-year industrial development plan, encouragement of gold mining, extension of needed help to oil prospecting and exhaustive survey of underground resources have been undertaken, while every effort will be made to train technicians and improve the technical level. Also important increase in farm and livestock production is planned. Farming methods will be improved in South Manchuria by better system of irrigation through the use of wells, while over-used land will be rehabilitated. Cattle and pigs will be raised in greater numbers, particularly in North Manchuria, and prevention of epidemics among livestock will be vigorously pursued under the direction and assistance of the Government.

(3) The development of the Northern Frontier Districts. This project will be fully pursued according to the plans already adopted. As another step toward the improvement of local areas, the Hsingan Provinces development plan has been initiated with an appropriation of ¥2,000,000.

(4) Colonization. On the basis of coordinated plan recently approved by the Governments of Japan and Manchoukuo, the facilities for the training of colonists are to be replenished and expenditures are to be rationally divided between the two Governments, while every effort will be made to carry out successfully these colonization measures. In addition, ¥13,000,000 has been set aside to assist in moving native settlers to colonizing districts.

(5) Stabilization and improvement of people's life. With the object of increasing educational facilities, more universities and

provincial middle grade schools will be established. The National Treasury has taken a share in the expense for elementary education for the dissemination of primary education and for the improvement of the standard and treatment of the teachers. To give closer attention to the promotion of people's welfare, a new section will be established in the Department of People's Welfare to stabilize and to improve the life of the people. In line with this policy, Government doctors will be stationed throughout the country at State expense, and isolation hospitals to confined patients with infectious disease will be established. Concerning execution of the opium crusade, a new appropriation has been made to carry out the programme for 1940 of the ten-year opium eradication policy.

(6) Replenishment of local administration. Various government measures have been devised to strengthen the structure of local government and for the thorough enforcement of Government measures and for the extension of efficient administration even to the remotest regions.

TAXATION SYSTEM

The tax administration, as it was eventually established is shown in an accompanying table. Tax Superintendence Bureaus are established at five places: Mukden, Kirin, Harbin, Tsitsihar and Chengte. These bureaus superintend all matters relating to internal taxes. The tax offices, 143 in number, are charged with field work as tax collection organs and execute all affairs relating to internal taxes. These offices not only levy and collect such taxes, but also collect the additional taxes, receipts of which are appropriated for local expenses on the part of each province. The additional taxes are those due to the municipalities, districts and banners, and the receipts for expenses are turned over to the provinces, municipalities, districts, and banners as the case may be. The only exceptions to the internal taxes named above are the land tax, the land utility tax, and the land registration tax, which are levied and collected directly by the municipalities, districts and banners.

A comprehensive picture of the internal tax system in Manchoukuo is given in an accompanying table. A number of the

taxes innumeraled in the table require some explanation. The Government considered until the fiscal year 1938 the time still premature to introduce a general income tax. Therefore, what is called a Profit Tax has been adopted instead. This tax is divided into two classes, the General Profit Tax and the Special Profit Tax. Under the former there is a Labor Service Income Tax, imposed on incomes derived from labor services; a Free Occupation Tax, based upon the profits from free occupational services; a House Tax on profit from houses; a Land Tax on profit from land, especially arable land; a Business Tax on profits earned by private businesses; and a Corporate Business Tax on the profits earned by business corporations or groups which may be considered business corporations. The Special Profit Tax is imposed to meet the situation resulting from the lack of a general income tax. It is intended to be complementary to the land and business taxes of the general profit class so as to secure a rational adjustment of the tax burden on tax payers under these heads.

Table 6. INTERNAL TAX SYSTEM OF MANCHOUKUO

Internal Tax	Profit Tax ..	General Profit ..	<ul style="list-style-type: none"> Labor Service Tax Liberal Profession Tax House Tax Land Tax 	
		Special Profit ..	<ul style="list-style-type: none"> Business Tax 	{ Corporate Business Tax Business (Private)
	Consumption Tax		<ul style="list-style-type: none"> Production Tax Mining Tax Opium Tax 	{ Minig Lot Tax Mineral Output Tax
			<ul style="list-style-type: none"> Alcoholic Liquor Tax Cigarette & Cigar Tax Tobacco Tax 	
		3 Consolidated Tax	{ Cement Tax Cotton Goods Tax Wheat Flour Tax	
Current Tax		Contract Tax		
		Mining Registration Tax		
		Commercial " "		
		Patent " "		
		Design " "		
		Factory " "		
		Vessels " "		
		Immovable Property " "		
	Revenue Stamp			
	Bourse			

The Ore Output Tax is imposed on mineral ores produced within the country and is intended to be complementary to the land tax. The Mining Area Tax is imposed on the holders of mining rights on the basis of mining areas, while the Mineral Output Tax is a levy on mining rights on the basis of mineral production, and is intended to be complementary to the business tax. The Opium Special Tax is intended to be complementary to the land tax and is imposed on the area of land under opium poppies in Jehol and Hsingan West Provinces.

Among the above mentioned taxes on profit, additional taxes are imposed on the following activities; the Labor Service Income Tax, the Corporate Business Tax, the Ore Output Tax, the Mining Area Tax, the Mineral Output Tax, and the Opium Special Tax. The receipts from these additional levies are appropriated by the provinces to help meet their local expenses. At the same time, the municipalities, districts and banners are authorized to impose additional taxes on the basis of the Free Occupation Tax, the House Tax, or the Business Tax. These provincial and local rates are generally fixed below 50 per cent of the State rates so as to prevent the burden on the tax payer from becoming too excessive.

There are also Taxes on Consumption which fall into six categories. The aggregate receipts from these taxable sources amount to about 42 per cent of the total receipts from internal taxes. They thus occupy an important position in the country's fiscal structure. In addition, there are the State monopolies of salt, petroleum, alcohol, opium and matches. In a sense these monopolies assume the character of levies on consumption.

The Alcoholic Liquor Tax is collected from manufacturers on the basis of volume and according to classes. The Cigar and Cigarette Tax is levied on these products according to value and volume, the charges being made against the manufacturers. Of tobacco products other than cigars and cigarettes, a Tobacco Tax is levied on cut and leaf tobacco which is collected from the growers and manufacturers respectively. A Cotton Goods Consolidated Tax, according to the denier of yarn and weight, is collected from the manufacturers when the goods are taken from the factory. A Wheat Flour Consolidated Tax is imposed on wheat flour according to weight, collection being made from the manufacturer against shipment from the mill. Finally, there is a Cement Tax, imposed

according to weight, charged to the manufacturer against shipment from factory.

Miscellaneous taxes are divided into twelve classes. The Land Utility Tax is imposed on those who own real estate or hold leases or mortgages from which profits are derived. A Document Tax is levied on various kinds of documents and books which record the establishment, removal, loss, alteration and recognition of rights of property. The fees are paid by the maker of such records through the purchase of stamps. A similar Registration and Record Filing Tax is collected from applicants for the registration and recording of the acquisition, loss, or change of property rights in real estate or other forms, as well as any changes in the applicants' personal status which must be registered and filed on record in the official books legally prescribed for this purpose. All transactions in securities are subject to the Bourse Tax (exclusive of national bonds), as well as merchandise for which marginal settlements are possible.

MARITIME CUSTOMS

The maritime customs under the former regime in Manchuria were one of the so-called foreign managed systems which had developed throughout China. They were therefore in a far more orderly condition as compared with the system of internal taxation which prevailed. It was indeed fortunate for Manchoukuo that it could from its first day take over what had been achieved in this respect. Nevertheless, as might be expected, from the important position that the customs were to assume in the State's public finance later, the new Government was confronted with many problems in adjusting the foreign customs to the new administrative system, especially from the standpoint of industrial development. There was also the problem of expanding the network of customs houses in relation to the newly defined border lines and the training of personnel. These problems were met by a series of adjustments between 1932 and 1935, but the changes were hardly more than modifications of the former system. In the second period of adjustment after 1937 when Manchoukuo embarked upon vigorous construction, the customs tariff system could not remain unaffected. Sweeping changes therefore were carried

out in January, 1938, through the Customs Tariff Law.

The export and import tariff schedule taken over from the former regime contained many unsatisfactory features. For example, the rates on a number of commodities were altogether out of proportion to the requirements of the country. Other rates were emphatically anti-foreign in motive, while others were contradictory to the industrial policies of the country.

This situation naturally called for early adjustment, but fundamental changes had to be made with caution and prudence. As a result, a moderately progressive policy of adjustment was pursued. In the early period from July, 1933 to November, 1935, the export rates were revised three times and the import rates were revised twice, but these still contained a number of objectionable and unsatisfactory features. The Government laid plans for further and more thorough-going changes which were finally put into effect with the complete revision of the customs tariff in January, 1938, aimed at equalizing the burden on the consuming public and securing sources of national revenue. The new schedule was introduced in the form of a list appended to the customs tariff law, and the new tariff has met with general approval.

In addition, it was also necessary to extend the network of custom houses not only as far as the Great Wall but also toward North Chosen (Korea) in consequence of the demarcation of the border lines. Manchoukuo customs houses have been opened at the three ports of Yuki, Rashin and Seishin, where facilities have been provided for trade with Japan and European countries.

Moreover, in order to handle transactions with foreign countries which have interests in Manchoukuo, internal custom houses have been provided at Mukden, Hsinking and Harbin, where, with the completion of the system of bonded institutions, facilities for internal trade have been provided.

There are at present custom houses at Dairen, Antung, Ying-kow, Mukden, Hsinking, Harbin, Tumen and Shanhaikwan, along with 11 branch customs houses, 3 agency offices, and 54 sub-offices. Thus the country is now provided with a fairly complete structure for customs administration.

Table 7. REVENUE FROM CUSTOMS
(In MY1,000)

Year	Import Duty	Export Duty	Re-export Duty	Special Relief Duty	Tonnage Dues	Total incl. Others
1932	25,493	11,942	2,491	2,052	—	51,949
1933	57,260	13,776	1,054	2,936	—	75,026
1934	69,861	12,261	965	3,149	—	86,227
(July-Dec.)	38,592	6,175	7	1,568	213	43,384
1936	69,085	12,051	213	2,925	67	93,228
1937 (Budget Estimate)	72,827	13,351	213	3,198	69	89,589
1938 (" ")	85,156	10,769	474	—	49	96,398
1939 (" ")	95,144	11,729	632	—	46	107,511
1940 (" ")	160,959	10,203	698	—	47	171,907

Simplification of Duties

The Government has sought to obtain a simpler classification of duties and a less burdensome and perplexing system of rates. Steps toward such changes were made in 1934 by clarifying the objects subject to duty and by revising certain duties which had in reality amounted to prohibitions. In place of the "flood surtax", for example, a new levy was instituted in the form of a "disaster surtax," thereby clearly establishing the legal basis for such procedure.

River dues collected at both Harbin and Yingkow and the above-mentioned disaster surtax were subsequently abolished in 1937 upon the institution of the Customs Tariff Law. Revenues of the administration are of two kinds, the customs duties themselves and tonnage dues. Under the former are the export and import levies and interport duties. Export duties are imposed on domestic goods shipped abroad. The tariff of January, 1938, on the principle of individual specifications contains one section of twenty items for each of the five categories of agricultural produce, fruits, animals, furs and skins and processed agricultural goods. On the basis of the average charge of 2.5 per cent for the year 1936 ad valorem rates are fixed for four items and specific rates for seventeen items.

Import duties are imposed on foreign goods imported into the country. The new import tariff comprises twelve categories, 745 classes and 1,904 items, of which forty-three are duty free and 1,861 subject to imposition. Rates are on the average fixed be-

tween 5 and 40 per cent, based mainly on the average charges for the years 1935 and 1936. Ad valorem rates are applied to 1,088 items and specific rates to 773 items.

The interport duties which were taken over from the previous regime presented an imposing but quite unbalanced list of items. In November, 1934, the system was so amended as to amount practically to abolition, but total abolition could not be effected so suddenly and the interport duty system has been suffered to remain in its present emasculated form. These duties are charged on goods of Manchoukuo origin when shipped from one port to another, collection being made at the port of shipment at the basic rate of 7.5 per cent.

Tonnage dues are collected from all shipping other than sailing vessels engaged in coastwise trade. Duties are levied when such vessels enter the open ports of Antung, Yingkow and Hulutao. Tonnage dues under the former regime were excessively high in view of the conditions under which ships engaged in coastwise trade. The Government made a thorough-going revision of the system in June, 1934, alleviating the burden on the shipping trade to the extent of about one-sixth on steam vessels and about one-third on sailing vessels.

Main Points of Tariff Revisions

The main points of the three tariff revisions effected by the Manchoukuo Government from 1933 to 1937 are given hereunder.

First Tariff Revision. The first revision of Manchoukuo's tariff rates took place in July, 1933. This revision affected 28 import commodities and 6 export commodities, the rates of which were reduced. To compensate for the decrease in revenue arising from this reduction, the import duty on leaf tobacco was raised. The principal points embodied in the policy of revision were:

1. In view of the conditions of national finance no revision which might radically curtail national revenues, will be made.
2. Since it is a temporary revision no simple perfunctory revision will be attempted.
3. Revision which might create disparity of rates arising from partial revision will be avoided.
4. No revision aiming at the correction of equality of the excise tax will be carried out.

However, the rates of those which show agreement with the conditions listed below will be revised to alleviate the burden of customs duty.

- a. Those which are considered extremely exclusive in nature.
 - b. Rates which are considered to be exceedingly protective in nature but which do not protect home industries due to the non-existence of such industries which are supposed to be protected.
 - c. Rates on necessary everyday commodities the importation of which are being hampered due to high import duty.
 - d. Those that are considered vitally important to internal industrial development, but only within the limits which finance permits.
 - e. Construction materials which are indispensable to the execution of Manchoukuo's city expansion program.
5. To compensate for the decrease in revenue arising from the reduction of exemption of export duties, rates on commodities, the burden of which is considered light, will be raised. Commodities coming under the above conditions are listed below.

Those coming under (a) and (b) are knit goods, hosiery, towels, stockings, soap for domestic and laundry use, straw and rush hats, ceramic products. Those coming under (c) are cotton blankets and blankets, mats, footwear, fresh fish, ordinary and newsprinting paper. Those coming under (d) are machines, implements and accessories, glass, sulphur, cross-ties. Those coming under (e) are nails, paints, water-hardening cement, construction materials. Leaf tobacco is the only commodity affected by 5.

In considering the principles of revision and the types of commodities affected, we can detect the following special characteristics in them. In the first place, there is an intention of guaranteeing and protecting revenue from customs which is one of the primary sources of national revenue, secondly, a modification of the former Chinese protective tariff has been effected as it can be seen in (a), (b) and (c), and thirdly, a leaning toward developing the country into a production goods market as seen in (d) and (e) in regard to imports of production goods, and the tendency with regard to exports, toward developing into a raw material supplying region, especially in the heavy and chemical industries, are clearly perceptible.

In making a more concrete study, we find that the percentage of customs revenue out of the entire national revenue was approximately 34 per cent in 1932, 38 per cent in 1933, and more than 50 per cent of tax revenue at present. At a time when only a short space of time has elapsed since the foundation of the State, when administrative organs and consequently the financial revenue organizations were in an unadjusted state, it was only natural that Manchuria attempted to assure revenue from the customs which was the most important source of income.

In regard to the reduction of the rate of import duty on consumption goods, the abolition of the Chinese protective tariff tends to discourage the development of handicraft, manufacturing and light industries similar to those in China. In the past, Manchuria not only constituted a primitive colonial region for native and foreign capitalistic industries, but also as a market for commodities of foreign capitalism, but with the revision explained above, China has been placed in a position and treatment of a foreign country, and in consequence, Chinese goods have been placed on equal terms with Japanese goods.

The reduction of import duties on production goods, namely agricultural implements and machinery, mining machinery and apparatus, nails, paint, cement, tiles and electricity distribution apparatus, indicates the fact that industrial development was centered upon agriculture, mining and steel manufacturing, and that the demand for various construction materials had risen sharply in conformity with political and economic development. At the same time, as long as the development of Manchuria was supervised by the Japanese, the opening of Manchuria as a market for production and consumption goods, and the downward revision of export duty rates on mineral oils, pig iron and spear pyrites (Fushun Shale Oil Plant and Showa Steel Works), went a long way to effect a close bondship with Japanese heavy industries for the first time.

Second Tariff Revision. The initial revision of 1932, was carried out not through Manchoukuo's own positive initiative, but because there was a strong demand for such a change which arose from among internal and foreign traders. In other words, the first revision can be regarded as an emergency temporary measure, and subsequently the scope affected by the revision was relatively

narrow and limited.

A year and a half passed, however, and during this time, a radical change was seen in trade conditions. The independence of the customs service and the marked increase in the imports of construction materials and production goods resulted in the increase of customs revenue which was facilitated no doubt, by the internal adjustment of the tax system. As a result, the Manchoukuo officials gained much confidence in the strength of the foundation of state finance. On the other hand, various industrial development policies assumed definite shape, and the internal and foreign economic situation necessitated a fundamental revision. In consequence, the second revision primarily aiming at the adjustment of the customs administration and the modification of cotton yarn and related goods, was effected, but this revision was wider in scope than the first, covering 118 import commodities and 23 export commodities.

The policies of the second tariff revision may be summed up as follows:

1. Relating to Customs. (a) Disparity of burden between ad valorem and specific duty goods caused by fluctuations in foreign exchange and trade commodity prices, will be corrected as far as the situation permits. (b) High tariff rates which hamper importation and which run counter to be established principles of customs and finance, will be revised. (c) Those, the policies for their development or for assisting in their development, due to their contribution toward industrial development of the country, have been roughly decided upon, will be revised accordingly. (d) In regard to import goods upon which internal taxes (including the salt tax) are assessed, their rates will be revised in connection with the adjustment of the internal tax system. (e) Those which give rise to doubt in applying rates due to irrational classification of commodities will be modified.

Commodities coming under the policies of revision enumerated above are as follows:

- I. Those relating to import duties. Under classification (a): cotton yarns and tissues. Under classification (b): Fruits, canned or preserved, rubber shoes, shoes made of cloth but rubber soled, paper for newsprinting use, satin of cotton and silk fiber mixture, silk (silk thread or rayon), textile fabrics, awabi

(ear-shell), dried fish, and a few cotton yarn or tissue articles. Under classification (c): 1. Wheat and wheat flour, automobile wheels, accessories and tires, alcoholic spirits. 2. Waste jute, scrap iron (for reconstruction use), seeds for cultivation, seedlings for grafting or cultivation, agricultural implements and accessories. Under classification (d): Cement, cigarettes and cigars, cotton yarns and wheat, which are controlled commodities, and wines and spirits coming under the alcohol tax. Under classification (e): Mineral turpentine waters, umbrellas, certain cloths.

2. Those relating to export duties. It has been decided upon that export duties will be gradually decreased as far as finance permits, but with the present revision, timber, coal, milk, woollen carpets and other livestock products, wheat bran, castor oil, kao-liang wine, or 23 farm products were reduced in rate or totally exempted from taxation, as a means of encouraging the development of agriculture, forestry, and livestock industries.

It is interesting to ascertain the primary objective underlying the revision of rates of the above-mentioned commodities, and its significance. In other words, we must determine the relationship between the trade policy of Manchoukuo which was manifested in the second customs revision with the actual trade situation and home industries, and furthermore, we must compare the peculiar characteristics of Manchurian community with the direction of its advancement together with the salient characteristics attached thereunto.

Let us first direct our attention to the import tariff. Out of a total of 118 articles of trade affected by the revision, 71 items belong to the cotton yarn or piece goods classification. From this fact, one can readily understand the importance attached to this category of trade commodities. The principal objectives of cotton yarn and textile rates were, first, to correct the equilibrium between ad valorem and specific duty rates which was disrupted as a result of the suspension of the world gold standard, and the rise of silver value, which caused the price of imported cotton to fall. This in turn caused the specific duty rate to decline and the ad valorem duty rate to rise. The second motive lay in the prevention of tax evaders which seek loopholes in the inadequate tax regulations, and in the prevention of any pressure which might be brought to bear by tax evaders upon the internal spinning industry.

Other consumption goods, the import duty rates of which were lowered includes silk (rayon included), textile goods, ear-shell, dried fish, tangle (*Laminaria*), canned products and canned food-stuffs, alcoholic spirits, paper for ordinary and newsprinting use, enamelware, and umbrellas and parasols. It must be noted here that these articles were subjected to heavy Chinese import duties upon recovery of tariff autonomy by China, and were more or less goods belonging to the anti-Japanese customs classification.

An import duty was assessed anew on wheat (50 fen per picul), and wheat flour (1 yuan per picul), while a general upward revision was effected on rates on beer, cigarettes and cigars, and foreign wines and spirits. The reason for the new import duty on wheat and wheat flour is that foreign wheat from various countries were dumped into Manchuria as a result of the world-wide economic depression which caused over-production. This situation threatened the flour-milling industry centered at Harbin and Hsinking. Therefore, the erection of the tariff barrier offered relief to the stricken industry and at the same time, it was a measure to meet the critical situation in the staple produce market.

The import duty on beer was raised by 70 per cent, but this sharp revision was effected for the purpose of protecting the internal brewing industry which was just begun. An upward revision of the leaf tobacco rate was carried out by the first revision, but the second revision raised the rate considerably on cigarettes and cigars. As in the case of wheat, wheat flour and beer, it is apparent that the motive behind the raising of the import duty on tobacco, was the protection of the home industry. A general upward revision was effected on import rates on foreign wines and alcoholic beverages, the maximum being 15 per cent, but since there is nothing very important in this category, a detailed account on the subject will not be attempted.

In connection with the revision of import duties, rates on agricultural implements were abolished and made duty-free, automobile and tractor parts and accessories, except scrap iron and chassis, were reduced in rate, while automobile wheels, cement and alcoholic spirits were respectively raised. This revision was motivated by the need for protecting home companies such as the Showa Steel Works, the Dowa Automobile Factory which is an assembling plant, and the Tatung Brewing Company.

In comparison to import duties, the number of export articles affected by the revision is smaller and less important. We can say, however, that in principle, the export tariff is on the downward tendency destined either for reduction or abolition. Agricultural, forestry and livestock products formed the greater part of the commodities the export duty rates on which were either reduced or completely abolished.

In summarizing, we can safely say that the aims embodied in the second tariff revision were (1) the guarantee of revenue, (2) liquidation of anti-Japanese rates and the opening of Manchuria as a market for light and miscellaneous industries, and (3) the protection of internal productive industries. It can be seen that the first and second stage tariff revisions were based on the fundamental principle of encouraging free imports by light and miscellaneous industries providing that they do not conflict with the essential nature of customs and finance, that they conform to the limitations set by home industry protection policy, and that they keep pace with the marked cultural advancement.

However, we must recognize the fact that Japanese commodities established supremacy over the Manchurian market by subduing competition afforded by countries which are geographically and politically distant, without running counter to economic rules and practices.

Third Tariff Revision. Three years after the second tariff revision was effected, or in December 1937, the third tariff revision was promulgated and went into force on January 1, 1938. The third tariff revision modified extensively for the first time, customs administration, customs rates, classification of rates and units for assessment, from Manchoukuo's own standpoint. In consequence, this revision, unlike the previous ones which were temporary in nature, revealed the fundamental trade policy of Manchoukuo in a more clear-cut manner. Such being the case, we are in a position to discuss the trade policy, but due to various reasons, only the main points of the policy will be selected for our discussion here. According to a public statement issued by the Hsinking Government, the main points embodied in the revision are as follows:

Imports:

- a. The burden of import duties were made to conform with

the average for the two years 1935 and 1936, and revenue from the customs source made secure.

- b. Headed by silk, rayon, and manufactures thereof, the import duty rates on consumption goods were reduced.
- c. Based on the principle of developing industries most suited to localities, and on the principle of conducting surveys actually in the localities, internal industrial development was given protection.
- d. In order to assure the execution of the Five-Year Industrial Development Plan, imports of mining and industrial enterprises (aircraft manufacturing, light metal refining, gold mining, gold refining, coal liquefaction, shale oil extraction, iron manufacturing, hydro-electric generation, and coal mining industries) and of the agricultural field (agricultural machinery) were made duty free, while the principle of protective tariff was applied to a certain field of mining and industry (munitions, aircraft, rolling stock).

Exports:

- a. To insure revenue from customs to a certain degree, export duty was imposed on commodities which yield large revenues (soya beans, millet, soya bean oil, perilla seeds, hemp seeds, hides and skins, pig bristles, seeds, and castor seeds, but not including coal and briquettes).
- b. No tax was imposed on products of new industries, while bean cake, kaoliang, maize and pig iron were made duty free since exportation of these products was deemed necessary.
- c. As a result of the above changes, export articles which previously numbered 275 in all were classified under 20 articles.

In summarizing, the third tariff revision of Manchoukuo (1) guaranteed revenue from the customs course, (2) opened wider the door of Manchuria as a market to Japanese and world consumption goods though proper protection was given to home industries, (3) opened the door wider to Japanese and foreign production goods and (4) by the distribution of raw materials especially mineral, industrial and chemical products (excluding coal) contributed a great deal toward establishing a Japan-Manchoukuo heavy and chemical industry bloc more than the gen-

eral assistance it gave to economic construction. The primary objective behind the first and second tariff revisions was the opening of Manchuria as a market for consumption goods, and secondary importance was attached to making Manchuria a market for production goods or as supply center of raw material to Japanese heavy and chemical industries, but with the enforcement of the third revision, the latter was given primary concern in connection with the Five-Year Industrial Development Plan. Herein lies the importance of the third revision.

As it can be clearly seen from the above outline, the previous policies for revision were greatly expanded, and intensified in the third revision, but the tariff rate revision and the trade policy have been carried out under two differing fundamental principles. One seeks to make Manchuria a market for world commodities and a supplier of raw materials and ultimately to bind Manchurian economy with Japanese economy, having the free trade movement between Manchoukuo and Japan as its ideal, and the second aims at securing revenue from customs, and at placing Manchurian economy upon an independent basis for the purpose of protecting native and munitions industries. The trade policies heretofore revealed in customs revisions were a compromise between or a mixture of the two opposing policies, but needless to say, the historical, economic and political burdens which Manchoukuo had to bear, were manifested in the trade situation of the country.

THE STATE MONOPOLY SYSTEM

The monopoly system of Manchoukuo was formerly confined to opium, petroleum, and a part of the salt output of the nation, but since 1937 the country's entire salt production and matches have been also placed under Government monopoly.

All monopoly affairs of the State are handled by a central establishment in Hsinking known as the General Monopoly Office, which directly controls ordinary monopoly offices located in fourteen principal cities (Hsinking, Mukden, Yingkow, Ssupingkaï, Antung, Shanchengchen, Chihhsien, Kirin, Yenki, Harbin, Mutankiang, Chiamussu, Tsitsihar and Jehol City), 108 monopoly bureaux and 190 sub-bureaux.

Monopoly Revenue. The combined income from state mono-

polies in 1939 was estimated at MY195,904,337 and the net profit at MY76,607,944.

Salt Monopoly

The thorough-going salt monopoly system was enforced in January, 1937 for the following purposes:—

1. To ease the life of the nation by equalizing and lightening their burden.
2. To positively increase salt production in order to meet its requirements for industrial purposes in Manchoukuo and Japan.
3. To secure the smooth distribution of salt.
4. To effect the rationalization of the salt administration organ and cut expenditure.
5. To secure the stability of annual revenue.

With the inauguration of the salt monopoly the salt affairs office and the Office for controlling the sale and supplying of salt were brought under the control of the General Monopoly Office. As a result, monopoly offices, monopoly bureaux and sub-monopoly bureau were increased, their number rising to over 300.

Among the improvements effected to the Salt Monopoly by the Manchoukuo government are the following:

1. Abolition of the salt surtax in the former Kirin and Heilungkiang Provinces in December, 1932. Although a salt monopoly was enforced in these two provinces, a surtax was also levied, which resulted in double taxation, an instance of unfair taxation under the former military regime.
2. Reduction of the import duty on Mongolian salt in April 1933. The tariff of MY5.35 per 100 chin (1 chin equals one-half kilogram), levied on Mongolian salt imported into Jehol Province, was reduced to MY5.00.
3. Reduction of the salt price in the Chientao district in August, 1933. Prices were reduced ranging from MY2.20 to MY3.55 per 100 chin.
4. Reduction of the salt tax and price in March, 1934. On the occasion of the inauguration of the Imperial regime on March 1, 1934, the gabelle was reduced by 30 fen per 100 chin, and the salt price in the former Kirin and Heilungkiang Provinces by MY1.00 per 100 chin on the average.

Match Monopoly

The system which Manchoukuo adopted with regard to match in the past was known as public sales system. It consisted of a combination of taxation and monopoly systems. Under this system, the General Match Public Sales Bureau, supervised by the Department of Finance, entrusted the Manchuria Manufacturers' Association with the public sale of matches through the medium of wholesale and retail dealers. The wholesale dealers paid tax to the above Bureau according to the amount of business handled. Government inspectors were stationed in various places to supervise the manufacture of matches, the distribution of matches from factories, and retail business.

The above system was adopted as a temporary expedient in compliance with a joint petition submitted by the match manufacturers during the chaos following the Manchuria Incident, and contained many defects. The need for fundamental revision was felt, and in December, 1936, the Match Monopoly Law was promulgated, which took effect in February, the following year.

In brief, the new Law stipulates that any person who wishes to manufacture, import or export matches must obtain a permit for such from the Government. All matches manufactured, imported or exported, automatically become Government monopoly products, which must be sold to the Government in return for fair compensation. The wholesale trade in matches is conducted only by those designated by the Government.

Opium Monopoly

Manchoukuo's opium monopoly system was established to control opium production and transactions in order to facilitate the execution of its opium policy. If illicit cultivation of poppy, illegal transactions in opium and secret opium smoking are suppressed and replaced by Government licensed cultivation and smoking, the practise, it is believed, can be gradually lessened, and the evil eventually exterminated. This method which has been adopted by Manchoukuo conforms with that which was introduced into Taiwan several decades ago with marked success. As a first step towards eradicating the evil the Manchoukuo Government promulgated the Opium Law in November, 1932.

According to Article 2 of the Opium Law, no person is allowed to smoke opium. Special permission, however, may be given to those adults who had already acquired the habit before the Law was enforced, and to whom the drug is an indispensable necessity. Licensed smokers in 1938 numbered about 550,000, while the number of addicts is roughly estimated at one million, although no thorough surveys have as yet been made.

Oil Monopoly

The Oil Monopoly was instituted in Manchoukuo on April 10, 1935 in view of the strategic and commercial importance of petroleum. The oil business as regards the purchase and refining of foreign crude petroleum was entrusted by the Government to the semi-official Manchuria Petroleum Company in February, 1934.

CHAPTER VIII BANKING AND CURRENCY

BANKING

Historical

There were in former days three provincial government banks, and a Frontier Bank. The latter was a private affair of the war-lords. These four banks had the privilege of issuing their own notes, without limit. Besides transacting a general banking business, these organs were also engaged in a variety of enterprises, including buying, selling, and exporting soya beans, and other staple products, flour milling, oil milling, brewing, marine transportation, forestry, mining etc. Of all these enterprises, bean transactions constituted the major part of their business, and a large volume of notes used to be issued in bean seasons to finance the purchase of this staple. No effective measure was taken to arrest inflation, but, on the contrary, as any amount of notes could be issued according to requirements of the banks or the war-lords, with insufficient or no reserves to back note issues, their value depreciated in proportion to the rise in the volume of the notes. Thus most notes fell to between one-tenth and one-fiftieth of face values. Typical of these, were the Mukden notes, of which the circulation in June, 1929, reached the huge sum of 1,500 million yuan. Their value dropped to one-seventieth of face value at one time. Further, there were special kinds of notes called "Ssutieh," issued by various prefectural governments, other public bodies and even by private houses. These notes circulated to a tremendous extent. Some of them gradually lost public confidence and finally were no better than mere scraps of paper.

The banks were accustomed to buy beans and other cereals from farmers with bank-notes commanding comparative confidence in the individual localities. The farmers, at the time of such dealings, obtained considerable sums of money, but their joy was usually short-lived, for their notes depreciated rapidly and severe-

ly, and the farmers often were left with nothing but scraps of paper for their year's labor, presenting a tragic spectacle everywhere in the country. The distress to which the inhabitants were reduced under the old regime baffled description. The cereals confiscated from the farmers in this unscrupulous manner were sold for silver or gold, so that the war-lords were enabled to purchase war materials, munitions, and other materials from abroad. When the depreciation of a note reached the last stage on account of inflation, it was usual with the bank authorities to devise the issue of a new kind of notes, and fake up the old ones at greatly reduced values. This device was operated repeatedly with as many as 15 kinds of notes, involving 135 varieties. The currency system of the land was reduced to utter chaos, which debarred economic development by entirely prohibiting investment.

Establishment of Sound Banking

Soon after the foundation of Manchoukuo in 1932, the Government set about rehabilitating the monetary system in Manchuria. In June 1932, the Central Bank of Manchou was established, and in the following year the Banking Act was promulgated. Under the same act, the existing monetary institutions of different kinds were reorganized, and smaller banks consolidated. At the same time, cooperative credit associations were established as organs for the common people; while the existing credit associations and credit unions were improved and expanded. Much attention was also paid to the organization of the pawn business, with the Tahsing Kungssu as the nucleus. Finally, with the establishment of the Industrial Bank of Manchou in December, 1936, the financial system of Manchoukuo came to assume a modern form.

By the abolition of extraterritoriality completed in December, 1937, Japanese banks in Manchoukuo were placed under the financial jurisdiction of the Hsinking Government, which now exercised complete control over the monetary organs within the country. In September 1938, the Manchurian Bankers' Association comprising the financial organs also in Kwantung Territory was instituted. Further, in December 1938 a new Banking Act was promulgated, strengthening the monetary system of the country.

In this manner, the financial system in Manchoukuo was built up, under the control of the Government and with the Central

Bank as the pivot of the whole system. There are now more than sixty ordinary banks granting short term commercial credit, while the Industrial Bank of Manchou is catering to the needs of industries by extending long term credit. Between these two varieties of institutions there are interposed various organs for the common people. The nucleus of the financial system of Manchuria is given hereunder:

Financial Organs in Manchuria

I. Banks

- a. Special Banks: Central Bank of Manchou
Industrial Bank of Manchou
- b. Ordinary Banks: Ordinary Manchoukuo Banks (45 in number)
Ordinary Foreign Banks:
1. Japanese Banks, 18
 2. Chinese Banks, 5
 3. European and American Banks, 3

II. Organs for Common People

- Cooperative Credit Associations, 145
Credit Associations, 25
Credit Unions, 39

Pawn Establishments:

1. Tahsing Kungssu, 338
 2. Others, 719
- Mutual Credit Companies, 15

III. Business Corporations Extending Credit

- Manchuria Mining Development Company
Manchuria Land Settlement Company
Man-Sen (Manchuria-Chosen) Development Company
Manchuria Building Company
Manchuria Mining Development Company
Manchuria Forestry Company
Manchuria Life Insurance Company
Manchuria Fire and Marine Insurance Company

IV. Post Offices

- Manchoukuo Offices, 540
Japanese Offices, 171

V. Subsidiary Financial Organs

- Clearance Houses, 6
Stock Exchanges, 2
Manchuria Industrial Securities Company

Table 1. DEPOSITS & LOANS OF FINANCING ORGANS
IN MANCHURIA (In MY1,000)

	(A) Deposits							Total
	Central Bank of Manchou	Industrial Bank of Manchou	Ordinary Banks	Japanese Banks	Chinese Banks	European Banks		
1935 (Dec.) ...	151,934	—	11,364	382,157	34,411	14,568	594,934	
1936 (June) ...	187,966	—	14,192	364,444	35,620	13,697	615,918	
„ (Dec.) ...	225,582	—	13,042	444,249	25,918	12,447	721,238	
1937 (June) ...	248,624	211,137	17,056	167,602	25,564	11,692	681,674	
„ (Dec.) ...	265,580	244,270	32,676	132,785	20,184	16,233	711,728	
1938 (June) ...	303,784	331,336	36,291	133,530	17,368	22,299	847,071	
„ (Dec.) ...	386,849	388,150	47,912	132,584	15,338	16,528	987,361	
1939 (June) ...	391,789	529,300	67,938	183,512	16,272	15,702	1,204,514	
„ (Dec.) ...	752,349	568,692	101,901	202,674	17,068	20,114	1,662,797	
1940 (May) ...	609,914	613,556	130,088	215,847	16,222	23,892	1,609,519	

	Credit Assn.			Postal Savings			Grand Total
	Kinyu Gassaku-sha	Kinyu Kumiai	Kinyu Kai	Manchou side	Japanese side	Total	
1935 (Dec.) ...	2,103	5,682	—	2,336	44,771	47,107	649,826
1936 (June) ...	5,302	6,447	1,458	4,729	47,989	52,718	681,842
„ (Dec.) ...	5,783	6,938	1,630	7,107	49,670	56,777	792,365
1937 (June) ...	10,960	8,281	2,282	11,340	52,483	63,824	767,019
„ (Dec.) ...	11,138	9,818	2,120	17,304	56,836	74,140	808,945
1938 (June) ...	16,397	12,280	2,573	35,789	57,310	93,099	971,420
„ (Dec.) ...	19,829	15,095	3,076	51,613	57,941	109,555	1,134,916
1939 (June) ...	31,692	18,554	4,161	77,285	57,916	135,201	1,394,122
„ (Dec.) ...	39,762	26,475	5,793	102,731	58,800	161,531	1,896,358
1940 (June) ...	55,183*	29,032*	5,824*	130,433	59,869	190,302	—

Note: * End of April

(B) Loans

	Central Bank of Manchou	Industrial Bank of Manchou	Ordinary Banks	Japanese Banks	Chinese Banks	European Banks	Total
1935 (Dec.) ...	169,782	—	32,103	307,485	22,194	27,191	558,755
1936 (June) ...	156,941	—	30,253	299,667	18,234	25,136	530,231
„ (Dec.) ...	197,360	—	36,586	368,012	23,540	24,457	649,954
1937 (June) ...	180,299	186,284	39,846	142,339	21,152	20,641	590,563
„ (Dec.) ...	212,569	253,995	57,288	162,917	17,866	30,070	739,705
1938 (June) ...	245,961	288,528	67,982	219,660	17,926	26,806	866,862
„ (Dec.) ...	419,997	412,419	71,800	290,223	14,901	22,247	1,231,588
1939 (June) ...	457,539	527,242	82,845	349,770	14,928	12,493	1,444,818
„ (Dec.) ...	871,190	790,373	98,730	509,722	14,874	11,154	2,296,042
1940 (May) ...	1,051,234	1,011,290	131,639	535,756	16,616	11,625	2,758,161

(Continued)

	Credit Associations			Total	Grand Total
	Kinyu Gassaku-sha	Kinyu Kumiai	Kinyu Kai		
1935 (Dec.)	6,328	7,121	3,097	16,546	575,301
1936 (June)	10,942	7,846	4,773	23,560	553,791
" (Dec.)	8,905	9,860	4,186	22,951	672,906
1937 (June)	25,142	11,605	6,145	42,893	633,455
" (Dec.)	15,099	12,664	4,879	32,641	772,347
1938 (June)	50,103	14,151	8,709	72,964	939,826
" (Dec.)	27,153	14,596	7,744	49,492	1,281,080
1939 (June)	111,215	17,839	15,211	144,265	1,589,083
" (Dec.)	60,064	19,070	11,223	90,357	2,386,399
1940 (Apr.)	124,385	21,719	11,939	158,043	—

Table 2. STATISTICS OF BANKS IN PRINCIPAL CITIES
(In MY1,000)

(A) Deposits

	Fixed Deposits	Current Deposits	Special Current	Notice	Others	Total
1937 Dec.	156,271	153,649	51,817	54,713	179,550	596,000
1938 Dec.	189,637	192,958	81,089	110,806	245,966	820,458
1939 June	272,302	291,925	97,824	146,232	172,156	980,438
" Dec.	272,953	363,904	142,875	134,789	502,875	1,417,396
1940 June	289,439	395,853	163,015	158,810	203,072	1,210,189

(B) Loans

	Advances	Over-draft	Bills Discounted	Others	Total
1937 Dec.	275,282	178,003	56,600	126,556	636,441
1938 Dec.	398,763	353,719	122,022	216,039	1,090,545
1939 June	612,198	405,367	150,285	165,289	1,349,956
" Dec.	838,268	495,510	390,673	419,637	2,144,088
1940 June	1,033,354	657,323	546,068	321,391	2,599,135

Note: The above statistics are for 11 principal cities, consisting of Hsinking, Mukden, Harbin, Tsitsihar, Kirin, Antung, Yingkow, Chinchow, Mutankiang, Chiamussu and Dairen. Figures for 1937 are exclusive of Chinchow, Mutankiang and Chiamussu, while figures of the Central Bank of Manchou are inclusive of Government accounts.

The Central Bank of Manchou

The Central Bank of Manchou was established as a bank of issue in June, 1932, in accordance with the Central Bank Act and the Act for the Organization of the Central Bank, with authorized

capital of 30,000,000 yuan (half paid-up). The principal functions of the Bank are to act as the agent for the Treasury and local bodies, regulate the circulation of currency, ensure its stability, and exercise monetary control. But in view of the conditions in Manchoukuo, it also engages in ordinary banking business, granting agricultural, industrial, and commercial credit.

The Central Bank has its head office in Hsinking, branches in Mukden, Kirin, Tsitsihar, and Harbin, 36 agencies and 4 offices in different parts of Manchuria. In countries outside Manchuria, there are several branches: one in Tokyo to take care of connections with Japan, another in Kalgan, a third in Tientsin, a fourth in Peking, to look after the monetary and economic relations between Manchoukuo, Mongolia, and China.

The Central Bank, which opened its business in July, 1932, unified the monetary system of Manchoukuo and stabilized its currency. Besides keeping accounts for the Treasury and discharging other business entrusted by the Government, the Bank is also acting as an agency for the Bank of Japan, this after the withdrawal of the Bank of Chosen from Manchuria. With the progress of "emergency" finance, the mission of the Bank has become more important than ever. In August, 1938, the Provisional Bureau for Foreign Exchange was established in the Bank to undertake the centralized management of foreign currency resources. In October, 1938, when the Provisional Act for the Control of Funds took effect, the Bank became the agency for its enforcement. In January, 1940, the Savings Department responsible for the employment of national savings was added. The business of the Bank has continued to show satisfactory progress, enabling it to begin the payment of contributions to the Government from the end of 1938.

Table 3. PRINCIPAL ACCOUNTS OF THE CENTRAL BANK
OF MANCHOU (In MY1,000)

	Capital		Reserves	Notes issued	Deposits	
	Authorized	Paid-up			Gov't deposits	General deposits
1932 Dec.	30,000	7,500	—	151,865	20,258	20,032
1933 June	30,000	7,500	120	112,263	53,079	43,943
" Dec.	30,000	15,000	285	129,223	32,852	38,674
1934 June	30,000	15,000	525	100,540	54,867	72,311
" Dec.	30,000	15,000	777	168,332	51,210	50,160

(Continued)

	Capital		Reserves	Notes issued	Deposits	
	Authorized	Paid-up			Gov't deposits	General deposits
1935 June	30,000	15,000	1,050	113,692	73,476	63,870
„ Dec.	30,000	15,000	1,380	178,655	73,734	78,199
1936 June	30,000	15,000	1,730	133,864	99,864	88,101
„ Dec.	30,000	15,000	2,080	254,243	113,576	112,005
1937 June	30,000	15,000	2,430	178,728	108,875	139,749
„ Dec.	30,000	15,000	2,880	307,489	133,095	132,485
1938 June	30,000	15,000	3,330	274,634	133,933	169,850
„ Dec.	30,000	15,000	3,780	425,738	164,631	222,218
1939 June	30,000	15,000	5,030	387,887	140,801	250,988
„ Dec.	30,000	15,000	8,000	623,621	455,373	296,976
1940 June	30,000	15,000	11,100	632,214	134,501	433,590

(Continued)	Debts	Advances		Securities	Bullion & foreign currencies
		Advance to Gov't	General advance		
1932 Dec.	21,212	23,500	100,427	44,709	24,214
1933 June	20,202	19,100	89,767	48,106	17,498
„ Dec.	18,264	19,100	84,798	50,320	27,985
1934 June	18,348	19,100	90,904	57,289	37,080
„ Dec.	20,669	24,600	140,492	58,973	38,538
1935 June	17,307	34,746	112,736	58,653	40,490
„ Dec.	18,000	52,946	118,054	60,050	50,448
1936 June	16,000	51,256	105,684	53,441	44,294
„ Dec.	16,000	61,700	135,659	88,588	43,423
1937 June	14,000	42,500	137,799	99,372	46,738
„ Dec.	14,000	36,855	175,714	194,134	54,012
1938 June	12,000	32,555	213,406	269,738	27,959
„ Dec.	12,000	109,493	310,504	323,950	107,468
1939 June	10,000	109,493	348,046	315,426	60,452
„ Dec.	10,000	390,086	481,104	417,369	—
1940 June	8,000	340,086	689,079	416,680	—

Table 4. INTEREST RATES AT THE CENTRAL BANK OF MANCHOU
(% per Annum)

	Fixed			Current Account	Special Current Account	Deposit at Notice
	Three Months	Six Months	One Year			
1932 Sept. 1	4.8	6.0	7.2	1.825	3.029	3.650
1933 July 1	3.6	4.8	6.0	1.095	2.555	2.920
1934 May 1	3.5	4.5	5.0	1.095	2.555	2.920
1935 Apr. 1	—	5.0	6.0	1.095	2.920	3.650

(Continued)

	Fixed			Current Account	Special Current Account	Deposit at Notice
	Three Months	Six Months	One Year			
1936 Jan. 1	—	4.5	4.5	1.095	2.920	3.650
1936 May 1	—	4.2	4.2	1.095	2.555	3.285
1937 Jan. 1	—	3.8	3.8	0.730	2.190	2.555
1938 Nov. 1	—	3.6	3.6	0.730	2.190	2.555

(B) Loans

Secured by:	Government Bonds	Discounts	Gold & Silver	Other Bonds & Shares	Commodities	Warehoused cereals	Real Estate	Other Reliable securities	Overdrafts
1932 Sept. 1	—	10,329	—	10,329	12,045	12,045	12,045	12,045	13,140
1933 July 1	—	8,030	8,030	8,395	9,125	9,125	9,125	9,125	9,125
1934 May 1	—	6,935	6,935	7,300	8,030	8,030	8,030	8,030	8,030
1935 May 11	5,840	6,205	6,205	6,570	7,300	7,300	7,300	7,300	7,300
1937 Jan. 4	4,745	5,475	5,475	5,475	6,570	6,570	6,570	6,570	6,570

The Industrial Bank of Manchou

The Industrial Bank of Manchou was organized as a special institution in December, 1936, in accordance with the Industrial Bank Act. The chief function of the Bank is to supply long term credit for industrial purposes; it also engages in general banking business. It has an authorized capital of 30,000,000 yuan, half of which is paid-up. In view of its special mission, the Bank is endowed with the privilege to issue debentures to the extent of 15 times the amount of its paid-up capital. In case debentures are issued outside Manchoukuo, the Government guarantees the payment of both capital and interest.

At the close of 1939, the Industrial Bank had 53 business places in Manchuria. The business of the Bank has continued to make rapid strides, the deposits balances reaching 667,000,000 yuan at the end of 1939. The rate of increase has been remarkable. The gain in the deposits of industrial funds is chiefly responsible for the above result, but deposits in the nature of savings are by no means small in amount, a fact which testifies to the efficacy of the savings campaign. The loans amounted to 790,000,000 yuan on December 31, 1939, a large expansion due to the increased loans for mining and manufacturing industries. These industries accounted between them for 378,000,000 yuan.

The industrial debentures issued by the Bank as sources for

financing industries are not so large in amount; but still the first batch of industrial debentures amounting to 10,000,000 yuan was issued in Japan in September, 1938, followed by the second and third issues, each of the same amount, during 1939. Also, since 1938, Manchuria savings debentures have been issued five times. Each of these issues met with excellent reception. The Industrial Bank of Manchou has a subsidiary in the Manchuria Industrial Securities Company, an agency for the sale of industrial and savings debentures as well as for security business in general. Further, in cooperation with the Manchuria Security Exchange, the Industrial Bank is making efforts for building up the security market in Manchoukuo.

Table 5. PRINCIPAL ACCOUNTS OF THE INDUSTRIAL BANK OF MANCHOU

(Cap. 30,000: 15,000 paid up)

(In M¥1,000)

	Reserves	Debentures issued	Deposits	Advances	Securities	Cash on Hand
1937 June ...	—	—	211,137	186,284	75,395	34,563
„ Dec. ...	350	—	244,270	258,995	81,203	15,242
1938 June ...	925	1,995	331,336	288,528	150,213	12,728
„ Dec. ...	1,535	15,987	388,150	412,419	120,616	10,865
1939 June ...	2,145	28,975	529,300	527,242	120,481	31,920
„ Dec. ...	2,795	41,956	568,691	790,373	115,942	15,639
1940 June ...	3,695	74,934	627,343	1,011,927	139,944	18,143

Ordinary Banks

In September, 1933, the first Banking Act framed on modern lines was promulgated to rehabilitate the monetary organs in Manchoukuo and to safeguard the depositors. Under that act, the existing institutions were also required to apply for the approval of the Government. After examining the business conditions of these institutions, the Government gave approval to 65 banks. This was the first step for the reorganization of financial institutions. The Government has continued to assist the monetary organs for rationalization and capital increases. At the same time, in order to prevent the concentration of funds and to further the development of local industries, the authorities concerned assisted in the establishment of local banks, beginning with the establishment

of the Yinkow Commercial Bank. The new Banking act went into force in January, 1939. This act fixes the minimum capital of financial institutions and imposes the obligation upon them to provide a reserve of a percentage against deposits, thus ensuring the sound development of monetary institutions.

Table 6. PRINCIPAL BANKS IN MANCHOUKUO
(1939)

	Head Office	Capital (M¥1,000)
Special Banks:		
Central Bank of Manchou	Hsinking	M¥30,000
Industrial Bank of Manchou	„	30,000
Domestic Banks:		
Mukden Commercial & Industrial Bank	Mukden	2,200
Mukden Commercial Bank	„	1,000
Mukden Exchange Bank	„	1,000
Shihhokung Bank	„	500
Nikka Bank	Tieling	500
Yingkow Commercial Bank	Yingkow	1,000
Chenhsing Bank	„	1,175
Kungeheng Bank	Kirin	1,000
Eastern Frontier Commercial Bank ...	Antung	2,500
Hsiehcheng Bank	„	1,000
Mutankiang Commercial Bank	Mutankiang	500
Kengtsu Bank	Harbin	500
Futeh Bank	„	500
Chungtai Bank	„	500
Tienho Bank	„	500
Harbin Commercial Bank	„	500
Ifa Bank	Hsinking	1,000
Itung Commercial Bank	„	1,000
Hsinking Bank	„	1,000
Japanese Banks:		
Yokohama Specie Bank	Japan	¥100,000
Oriental Development Co.	„	50,000
Other Banks:		
Bank of China	China	S\$40,000
Bank of Communications	„	10,000
Hongkong Shanghai Bank	Hongkong	HT\$50,000
Chartered Bank of India, Australia & China	London	£3,000
National City Bank of N.Y.	U.S.A.	US\$127,500

Table 7. OTHER FINANCING ORGANS

(Credit Associations and Unions)

(Amount in MY1,000)

(A) Kinyu Gassakusha

Dec.	No. of Assn.	Member-ship	Capital	Loans	Deposits		Advances	
					Total	Index*	Total	Index*
1934	13	15,307	157	1,444	457	10	1,747	18
1935	82	86,975	465	6,300	2,103	46	6,328	64
1936	103	142,823	761	7,312	5,783	127	8,905	91
1937	107	234,439	1,217	12,444	11,138	244	15,099	154
1938	126	514,468	2,030	23,378	19,829	435	27,153	276
1939	145	874,612	3,467	57,310	39,762	872	60,064	661
1940 (Apr.)	149	16,411	173	113,156	55,183	1,210	124,385	1,265

(B) Kinyu Kumiai

Dec.	No. of Assn.	Member-ship	Capital	Loans	Deposits		Advances	
					Total	Index*	Total	Index*
1934	22	12,241	999	2,302	4,858	78	6,066	74
1935	22	13,624	1,160	2,350	5,682	91	7,348	90
1936	22	15,022	1,316	3,560	6,938	111	9,860	121
1937	22	16,502	1,465	4,700	6,818	158	12,664	155
1938	25	20,290	1,565	4,807	15,095	242	14,596	179
1939	25	24,113	1,673	4,860	26,475	425	19,070	234
1940 (Apr.)	25	25,431	1,687	5,355	29,032	466	21,719	266

(C) Kinyu Kai

Dec.	No. of Assp.	Member-ship	Capital	Loans	Deposits		Advances	
					Total	Index*	Total	Index*
1936	29	62,114	747	2,782	1,630	117	4,186	97
1937	35	78,007	931	3,467	2,120	152	4,879	113
1938	38	86,723	1,047	5,974	3,076	220	7,744	180
1939	39	106,377	1,228	9,018	5,793	415	11,223	261
1940 (Apr.)	41	—	473	9,936	5,825	417	11,939	277

Note: * Monthly average of 1936 taken as 100.

Table 8. LOANS CLASSIFIED BY PURPOSES

(MY1,000)

		Com-merce	Indus-tries	Agri-culture	Mining	Others	Total
Industrial Bank of Manchou	1937 June	118,692	24,178	2,042	—	41,370	186,284
	" Dec.	137,680	44,270	2,578	1,921	54,845	241,294
	1938 June	126,352	63,680	2,882	5,510	72,826	271,151
	" Dec.	170,234	110,714	6,849	8,111	99,590	395,498
	1939 June	182,244	113,838	6,105	9,526	119,559	431,269
" Dec.	191,736	321,813	7,638	70,052	199,133	790,873	
Ordinary Banks	1937 June	30,574	3,275	435	—	5,562	39,847
	" Dec.	32,429	4,486	364	11	3,057	40,347
	1938 June	55,952	6,680	686	47	4,562	67,928
	" Dec.	59,362	8,050	605	43	4,035	72,097
	1939 June	46,471	7,018	464	44	3,303	57,300
" Dec.	85,248	9,708	518	56	3,155	98,685	
Japanese Banks	1937 June	122,248	3,085	1,743	—	5,095	132,170
	" Dec.	196,053	9,770	1,678	30	6,164	213,696
	1938 June	193,128	11,161	1,249	33	4,645	210,183
	" Dec.	325,277	13,437	1,316	—	4,357	344,287
	1939 June	307,713	18,217	1,182	—	4,314	331,425
" Dec.	490,711	18,562	1,042	—	2,857	513,173	
Chinese Banks	1937 June	16,957	1,069	194	—	2,979	21,199
	" Dec.	12,730	817	270	—	3,512	17,330
	1938 June	13,192	1,018	245	—	3,199	17,654
	" Dec.	14,239	906	262	—	2,952	18,359
	1939 June	10,841	1,247	301	—	3,261	15,650
" Dec.	10,837	1,155	194	—	2,567	14,754	
European Banks	1937 June	20,868	833	—	—	148	21,849
	" Dec.	21,173	841	—	—	4,817	26,832
	1938 June	19,876	869	—	—	3,868	24,616
	" Dec.	13,835	898	—	—	3,837	18,570
	1939 June	9,942	893	—	—	8,386	19,221
" Dec.	10,184	—	—	—	970	11,154	
Total	1937 June	309,338	32,441	4,413	—	55,157	401,350
	" Dec.	400,065	60,185	4,892	1,962	72,394	539,499
	1938 June	408,504	83,409	5,063	5,458	89,100	591,533
	" Dec.	582,946	134,006	3,933	8,154	114,772	848,811
	1939 June	557,212	141,213	8,051	9,566	138,822	854,865
" Dec.	788,718	351,237	8,393	70,108	208,682	1,428,138	
%	....	55.0	24.6	0.7	4.9	14.6	100.0

Financial Organs for Common People

In Manchuria where by far the greater portion of the population is agricultural, financial organs for the common people, especially for the farmers must play a highly important part. During the old regime, however, there were few such organs except for pawn establishments and Japanese credit associations. Since the inauguration of the new State cooperative credit associations and the Tahsing Kungssu, etc. were newly established. Reorganization has been and is to be effected also in this sphere. The cooperative credit associations above mentioned are to be shortly divided into rural and urban associations, and the former to be amalgamated with agricultural development cooperative associations.

Table 9. NO. OF MONETARY ORGANS
(End of 1939)

	(A) Manchoukuo			Total
	Head Office	Branch Office	Agents	
Central Bank of Manchou	1	139	4	144
Industrial Bank of Manchou . .	1	39	5	45
Ordinary Banks	45	90	47	182
Japanese Banks	—	10	—	10
Chinese Banks	—	15	4	19
European & American Banks . .	—	3	1	4
Kinyu Gassaku-sha	145	12	219	376
Kinyu Kai	39	7	2	48
Kinyu Kumiai	14	—	—	14
P.O. Savings:				
Manchoukuo side	540	—	118	658
Japanese side	127	—	—	127
Mujin	12	4	4	20
Total	924	319	404	1,647
	(B) Kwantung			
Central Bank of Manchou	—	1	—	1
Industrial Bank of Manchou . .	—	7	1	8
Chinese Banks	—	4	—	4
Japanese Banks	—	9	—	9
European & American Banks . .	—	2	—	2
Kinyu Kumiai	11	—	—	11
P.O. Savings	44	—	—	44
Mujin	3	—	—	3
Total	58	23	1	82
GRAND TOTAL	982	342	405	1,729

Table 10. STATISTICS OF POSTAL SAVINGS

	Manchoukuo Side					Japanese Side				
			End of year					End of year		
	Amount of deposits (¥1,000)	Amount of withdrawals (¥1,000)	No. of depositors	Amount (¥1,000)	Deposits per capita (Yen)	Amount of deposits (¥1,000)	Amount of withdrawals (¥1,000)	No. of depositors	Amount (¥1,000)	deposits per capita (Yen)
1933	401	184	10,769	217	20.14	—	—	378,764	32,671	86.25
1934	1,319	918	21,314	631	29.61	38,769	32,108	437,636	38,249	87.40
1935	4,005	2,300	72,675	2,336	32.14	45,161	38,622	522,879	44,771	85.62
1936	11,211	6,438	103,909	7,107	68.39	47,918	42,319	595,031	50,019	84.06
1937	22,628	13,146	204,643	17,304	84.50	47,480	41,032	664,559	57,737	86.88
1938	77,031	42,722	638,003	51,613	80.80	49,004	49,316	625,965	57,941	92.56
1939	139,797	88,780	1,152,922	102,731	89.10	50,549	49,090	596,046	58,800	93.65
1940*	98,282	70,580	1,453,439	130,433	89.00	2,667	25,608	589,211	59,869	125.70

Note: * Jan.-June end.

Table 11. STATISTICS OF POSTAL MONEY ORDERS

(Unit: ¥1,000)

Year End	Domestic		Manchoukuo-Japan		Manchoukuo-China		Others		Total	
	Issued	Paid	Issued	Paid	Issued	Paid	Issued	Paid	Issued	Paid
	1934	7,576	7,679	3,484	503	—	—	—	—	11,060	8,182
1935	9,536	9,540	6,862	1,109	1,993	679	—	—	18,391	11,328
1936	15,790	15,374	15,901	4,578	5,201	1,170	0.3	3	36,892	21,125
1937	37,061	29,656	27,825	8,026	5,001	1,440	0.4	3	69,888	39,125
1938	73,962	61,146	71,039	18,130	1,345	1,031	168.1	1,293	146,514	81,600
1939	97,172	89,691	124,703	23,426	2,993	1,891	367.8	1,248	225,236	116,255
1940*	13,638	12,607	17,359	2,544	1,087	306	23.9	168	32,107	15,624

Note: * January to June

Exchange Control Law

In order to prevent the flight of capital from the country and to restrict speculation in bullion and exchange, the Manchoukuo Government on November 20, 1935 promulgated the Exchange Control Law and two relative ordinances of the Department of Finance, these measures coming into force on December 10, 1935. The adoption of these measures had an exceedingly smooth effect in that the stability of commodity prices was not impaired in any way by the divorcing of the yuan from silver. As a result, although the currency system of Manchoukuo prescribes a fixed quantity of pure silver as the unit of monetary value called the

Yuan, the national currency is in fact linked with the Japanese Yen and is a "controlled currency based on the Japanese Yen."

Exchange Control Revision. The Manchoukuo Government on July 11, 1940, promulgated a revision of exchange control legislation. This revision prohibits the free circulation of foreign currencies, including notes of the Federal Reserve Bank of North China and of the Bank of Mongolia, as circulation of these notes exercised adverse effects on credit and trade. The new legislation, which went into effect from July 15, consists of the following articles:

1. Prohibition of circulation and exchange of foreign currencies, including the North China Federal Reserve Bank notes and the Mongolian Bank notes, in Manchoukuo.
2. Restriction of exportation of Japanese and other foreign currencies.
3. The limit of currency which may be taken out of the country by travellers is reduced from 500 to 50 yuan.
4. Restriction of amount of Japanese notes and foreign currency which may be brought to Manchoukuo. The limit of foreign currencies to be brought in by travellers will be reduced from 200 to 50 yuan.
5. The limit of 500 yuan for annual remittances abroad will be abolished, and all remittances will be put under a permit system.

Table 12. MANCHOUKUO YUAN FOREIGN EXCHANGE RATES

	On Japan		On New York		On London		On Shanghai	
	Rate (¥)	Index	Rate (\$)	Index	Rate (s.d.)	Index	Rate (Yuan)	Index
1932								
July	73.19	100.0	20.10	100.0	1-1.57	100.0	95.72	100.0
December ..	96.82	132.3	20.19	100.4	1-2.79	108.8	100.70	105.2
Average ...	90.93	124.2	21.07	104.8	1-2.84	109.4	98.48	102.9
1933								
June	99.37	135.8	25.16	125.2	1-2.65	108.0	97.70	102.1
December ..	109.39	149.5	32.56	164.0	1-3.37	113.3	100.32	104.8
Average ...	101.34	138.5	25.72	128.0	1-2.62	107.7	98.41	102.8
1934								
June	107.26	146.6	31.90	158.7	1-3.06	111.0	97.82	102.2
December ..	109.70	149.9	31.43	156.3	1-3.23	112.2	99.00	103.4
Average ...	110.83	151.4	32.59	162.1	1-3.51	114.3	97.50	101.8

(Continued)	On Japan		On New York		On London		On Shanghai	
	Rate (¥)	Index	Rate (\$)	Index	Rate (s.d.)	Index	Rate (Yuan)	Index
1935								
June	104.33	142.5	30.00	149.3	1-2.58	107.4	79.88	83.5
December ..	100.00	136.6	28.71	142.8	1-1.99	103.1	97.65	102.0
Average ...	104.77	143.1	29.92	148.8	1-2.29	107.8	86.9	90.8
1936								
June	100.00	136.6	29.33	145.9	1-2.00	103.1	98.80	103.2
December ..	100.00	136.6	28.50	141.8	1-1.96	102.8	97.28	101.6
Average ...	100.00	136.6	28.56	144.2	1-2.00	103.2	98.03	102.4
1937								
June	100.00	136.6	28.75	143.0	1-2.00	103.2	86.38	100.7
December ..	100.00	136.6	29.13	144.9	1-2.00	103.2	98.05	102.4
Average ...	100.00	136.6	28.78	143.2	1-2.00	103.2	96.31	100.6
1938								
June	100.00	136.6	28.91	143.8	1-2.00	103.2	—	—
December ..	100.00	136.6	27.23	136.2	1-2.00	103.2	—	—
Average ...	100.00	136.6	28.43	141.4	1-2.00	103.2	—	—
1939								
June	100.00	136.6	27.11	134.9	1-2.00	103.2	—	—
December ..	100.00	136.6	23.44	116.6	1-2.31	105.5	—	—
Average ...	100.00	136.6	25.97	129.2	1-2.05	103.5	—	—
1940								
June	100.0	136.6	23.44	116.6	1-3.64	115.3	—	—

Table 13. AMOUNT OF BILLS CLEARED AT CLEARING HOUSES

	Hsinking		Mukden		Dairen		Total	
	bills (M¥1,000)		bills (M¥1,000)		bills (M¥1,000)		bills (M¥1,000)	
	No. of	Amount	No. of	Amount	No. of	Amount	No. of	Amount
1934	16,856	21,694	92,182	91,992	560,446	2,304,557	669,484	2,418,243
1935	100,450	100,676	136,926	201,716	561,280	2,681,812	798,656	2,984,204
1936	142,624	191,237	262,855	379,212	572,843	2,269,473	978,322	2,839,923
1937	145,308	250,882	241,918	339,059	549,538	2,263,811	936,764	2,853,752
1938	204,425	468,228	328,993	562,257	618,036	3,211,905	1,151,454	4,242,390
1939	263,604	818,299	519,452	1,062,685	805,864	4,772,372	1,588,920	6,653,357
1939								
Jan.-June .	114,635	311,537	226,395	423,989	376,028	2,266,117	717,058	3,001,644
1940								
Jan.-June .	193,824	589,331	326,459	764,279	436,789	2,234,441	953,072	3,578,903

CURRENCY

Manchoukuo is at present on a managed currency system. The state currency was established and enforced by the Currency Law promulgated in June 1932. The yuan nominally containing 23.91 grammes of pure silver is the unit of the value. The right of minting coins and of issuing notes is an exclusive right of the Government. It is exercised by the Central Bank of Manchou by order of the Government. The yuan is divided decimally into the "Chiao" (1/10 of the yuan), the "fen" (1/100 of the yuan) and the "li" (1/1,000 of the yuan).

The Central Bank of Manchou must have a reserve fund in gold or bullion, reliable foreign money, or gold or silver money deposited with foreign banks, corresponding to not less than 30 per cent. of the total value of the note issue of the Bank. The Bank should have a security reserve in the form of public bonds, or bills issued or guaranteed by the Government, or other reliable bills or bonds against the note issue beyond the currency reserve mentioned above.

Currency Stabilization. The Central Bank of Manchou at first followed the policy of maintaining the value of the Yuan equal to the price of 23.91 grammes of pure silver and was able to retain its stability through the control of money in circulation and also through transactions in silver and exchange on Shanghai. However, it was not long before it was found extremely disadvantageous to continue linking the yuan with silver, owing to the United States embarking upon a silver purchasing programme. Affected by the United States' policy of boosting the price of the white metal, the price of silver, dissociating itself from general commodity prices, began to move upward from the autumn of 1934, and as a consequence the equilibrium between silver and commodity prices was broken, causing a rise in currency values and a fall in commodity prices in the countries with silver currencies. In order to reduce the disturbing effects of the violent fluctuations in the value of silver to the minimum, the Central Bank watched the developments in the silver situation and endeavoured to prevent any violent changes in currency values and commodity prices by managing its currency so that its rise was limited to only one half of that of silver. In this way the Central

Bank, while keeping an eye on the silver situation, neither linked its currency to silver nor divorced it from the white metal. This policy was pursued until March, 1935.

In the meantime, the fluctuations in the price of silver became increasingly violent; the London bar silver quotation on April 25, 1935 advanced to about 34 pence from 32 pence or so the previous day, and rose sharply further to over 36 pence the next day, but soon dropped to around 33 pence again, manifesting a very erratic tendency. Awakened to the fact that if the national currency continued to be linked with silver, its value would rise and fall violently and cause serious disturbances to the economic world, the Central Bank finally decided to divorce the national currency from silver and shifted over to the policy of a simple managed currency, having for its object the stabilization of commodity prices. As a result the internal value of the currency was stabilized notwithstanding the drastic rise in the price of silver abroad. Commodity prices also became stable.

Meanwhile the economic relations between Manchoukuo and Japan were steadily enhanced. With the divorcing of Manchoukuo's currency from silver, this tendency was accelerated, so much so that proposals were advanced that the currencies of Japan and Manchoukuo should be controlled and unified to unite the economy of the two countries.

At the time the Manchoukuo currency was first completely divorced from silver, the Yuan retained a relatively stable value in relation to the Japanese Yen at around 107 and 108 Yen against 100 Manchoukuo Yuan. But when the Manchoukuo currency began to have a stable relation to the Japanese currency, without being influenced by the fluctuations in the price of silver, it became to be generally talked about that the Manchoukuo currency was being controlled with the object of bringing it to par with the Japanese currency. This view gradually gained ground, and the value of the national currency which had been stabilized against the Japanese Yen at around 107 to 108 Yen gradually approached the Japanese Yen in value. Thus step by step, through the months of May, June, July and August, it became closer to Yen, finally reaching parity in September, 1935. It has remained so ever since.

Table 14. NOTES ISSUED AND AMOUNT OF RESERVES OF THE CENTRAL BANK OF MANCHOU

	(Mount MY1,000)				Reserves			Subsidiary Coins	Total
	Notes Issued			Specie	%	Security Reserves			
Year end	Highest	Lowest	Average						
1934	168,333	168,333	97,855	119,630	74,819	44.4	93,514	15,772	184,105
1935	178,656	179,208	108,594	136,512	92,231	51.6	86,425	20,284	198,940
1936	254,243	257,191	125,270	159,480	177,181	69.7	77,062	20,449	274,692
1937	307,490	317,944	171,892	211,570	208,097	67.7	99,393	22,419	329,909
1938	425,738	430,145	254,370	288,267	216,309	50.8	209,428	27,159	452,897
1939	623,621	636,697	369,301	428,319	323,988	51.9	299,633	33,725	657,346
1938 (June)	274,634	280,608	254,370	264,457	159,301	58.0	115,333	23,322	297,956
1939 (June)	387,887	400,729	369,301	381,971	198,102	51.1	189,785	30,649	418,537
1940 (June)	632,214	634,485	607,484	620,879	315,808	50.0	316,406	37,509	669,724

Table 15. AMOUNT OF GOLD PURCHASED BY THE CENTRAL BANK OF MANCHOU

Year:	Purchased		Cumulative	
	Volume (gram)	Value (MY)	Volume (gram)	Value (MY)
1932 (2nd half)	703,040	2,053,635	703,040	2,053,635
1934	1,199,291	3,814,417	1,902,331	5,868,052
1935	4,243,166	14,684,192	6,145,497	20,552,244
1936	3,608,539	12,635,769	9,754,036	33,188,013
1937	3,737,530	13,809,438	13,491,566	46,997,451
1938 (1st half)	1,289,765	4,900,189	14,781,331	51,897,640

Note: Exclusive of amount of gold held before the enforcement of gold purchasing law, which amounted to 2,196,091 grams valued at 6,218,340 yuan.

Table 16. GOLD PURCHASE RATE OF CENTRAL BANK OF MANCHOU

		(MY per one gram)			
Rates changed	Purchase price	Rates changed	Purchase price		
1933 June 28	2.47	1933 Dec. 31	2.90		
" July 2	2.39	1934 Feb. 4	3.00		
" July 9	2.31	" Feb. 25	3.10		
" Aug. 13	2.40	" May 13	3.20		
" Aug. 20	2.45	" Nov. 11	3.25		
" Aug. 27	2.39	1935 Jan. 6	3.35		
" Oct. 8	2.55	" Mar. 17	3.45		
" Oct. 29	2.75	" Aug. 4	3.50		
" Nov. 12	2.85	1937 May 15	3.77		
" Nov. 19	2.95	1938 Apr. 30	3.85		

INSURANCE

Japanese Enterprise. The development of the insurance business in Manchuria is comparatively of recent origin, dating back as it does to the termination of the Russo-Japanese War. Prior to the war insurance was under foreign management and very inactive. Insurance under Japanese management was started in Manchuria soon after the Russo-Japanese War when in February, 1906 an agency of the Meiji Life Insurance Company was opened at Dairen. Property insurance under Japanese management in Manchuria was initiated in the following year when an agency was set up at Dairen by the Nippon Fire Insurance Company and the Kyodo Fire Insurance Company. Owing to the ever increasing number of Japanese residents and their economic development, the insurance business in Manchuria eventually attained the present growth. Barring the Dairen Fire and Marine Insurance Company whose head office is located at Dairen, in the districts under the former Japanese jurisdiction there are more than 100 branches and agencies of Japanese insurance companies registered in Japan.

Table 17. RESULTS OF INSURANCE COMPANIES IN KWANTUNG PROVINCE, AND FORMER S.M.R. ZONE

	No. of cos.	Premium receipts (MY1,000)	Claims paid (Y1,000)	Contracts in force		
				No.	Amount (Y1,000)	
Life	1932	147	2,700	1,367	40,142	79,559
	1933	155	3,413	1,323	48,451	98,305
	1934	160	10,835	2,166	65,562	133,645
	1935	163	4,387	1,352	72,352	144,619
	1936	156	5,185	1,513	90,299	175,983
	1937	39	3,701	922	48,538	100,250
	1938	41	4,791	1,544	57,407	123,654
Property	1932	203	1,953	1,079	70,288	521,171
	1933	220	2,579	901	81,332	636,530
	1934	242	5,317	1,983	117,429	827,815
	1935	246	4,941	2,098	82,601	647,434
	1936	241	3,014	1,023	89,081	745,519
	1937	76	2,827	743	67,118	554,792
	1938	85	124,563	1,689	110,620	601,653

(Continued)		No. of cos.	Premium receipts (M¥1,000)	Claims paid (¥1,000)	Contracts in force	
					No.	Amount (¥1,000)
Others	1932	15	156	18	3,187	3,713
	1933	16	221	16	3,612	4,175
	1934	15	126	26	3,975	4,810
	1935	18	271	27	5,602	6,873
	1936	22	388	4	8,275	9,798
	1937	4	233	2	5,615	6,795
	1938	4	294	13	7,327	8,930
Total	1932	365	4,808	2,464	113,617	904,443
	1933	391	6,213	2,239	133,395	739,010
	1934	417	16,278	4,176	186,966	966,271
	1935	427	9,599	3,477	160,528	798,926
	1936	419	8,587	2,540	187,655	931,300
	1937	119	6,762	1,667	121,271	661,837
	1938	130	129,649	3,246	175,354	834,237

Note: Figures from 1937 are for Kwantung only

Life Assurance. Excepting the amount of contracts entered into with a very small number of companies under Chinese management, the greater portion of life policies issued in Manchoukuo are represented by Japanese concerns. The war boom proved a great impetus to the life assurance business in Manchuria. All industries have been affected by the post-war depression, but life assurance has steadily developed without feeling the effects of the depression. This is ascribed in part to the gradual spread of a knowledge of insurance among the Manchus.

Postal Life Insurance. A law regulating postal life insurance was drafted by the Manchoukuo Department of Communications and approved at the State Council meeting on August 30, 1937. The main points of the postal insurance of the Manchoukuo Government follows:—

1. Simple Government life insurance, as a non-commercial enterprise, will be taken charge of by the Communications Department through postal organs. All Manchu people are eligible for the insurance policy (Japanese, too).
2. The fund accumulated as premiums on the policies will be invested in profitable and sound enterprises, such as to promote public welfare.
3. A committee will be established as a consultative body on

the use of the reserve fund.

4. Life insurance will be limited to above 50 yuan and less than 450 yuan.
 - A. Whole-term insurance: Payments for 10 years, for 20 years or for life.
 - B. Ordinary endowment insurance: Payments for 10 years and maturity in the 15th year. Payments for 15 years and maturity in the 20th year.
6. Ages: From 15 to 60 years.
7. Payments of insurance: Monthly payment at post offices.
8. The insured will not be medically examined but will be inspected at a personal interview at the post offices where insurance policies will be issued.
9. The Government will do its utmost for advancement of the life insurance management and a fair dividend will be delivered to all insurance holders in future, whenever the insurance enterprise earns a surplus.

Property Insurance. As stated above, soon after the termination of the Russo-Japanese War, Japanese fire insurance companies established agencies at Port Arthur. Owing to the fact that later Dairen developed so remarkably that it became the economic centre of Manchuria, Japanese insurance companies which had established their agencies elsewhere all removed them to Dairen. Especially remarkable was the activity shown by foreign transport and marine insurance companies, whose attention had been drawn to active shipments of Manchurian products from the port of Dairen. In fire insurance too, foreign companies exercised predominant influence as the Japanese companies were still feeble in foundation. Since the conclusion of the World War, however, the relative positions of the Japanese and foreign firms have been reversed.

The Dairen Fire Insurance Company referred to above was established in August, 1922 with a capital of ¥2,000,000 (of which ¥500,000 was paid up) with the assistance of capitalists in Japan, the Tokyo Marine Insurance Co., and the Taisho Marine Insurance Co., and the South Manchuria Railway Co.

Kwantung Province Fire Insurance Society

In sympathy with a swift expansion of the financial world of Japan, the competition between Japanese and foreign insurance companies in Manchoukuo had become so severe as to steadily force down premium and in turn lower their respective positions. At last all companies began to urge the crying need of preventing a lowering of premium. As a result, on December 17, 1934 the Kwantung Province Fire Insurance Society was established at Dairen and on February 1, 1935, an agreed upon rate of premium which was on an average 35 per cent higher than had hitherto ruled, was put in force.

New Insurance Business Law. The Insurance Business Law of Manchoukuo, comprising thirty-seven articles was promulgated on December 27, 1937 for immediate enforcement. According to the law only insurance companies which obtain Governmental permit can be engaged in insurance business in Manchoukuo (Article 1). They are required to obtain Governmental permit when they intend to establish their agencies (Article 7).

When persons with their principal companies, head-offices or permanent addresses outside of Manchoukuo intend to start insurance business in its territory, they are required to establish their branch offices within Manchoukuo and to obtain Governmental permit. Persons who have obtained permits in accordance with the above provision are to be treated as insurance companies stipulated in this law. But in this case, the Government is authorized to provide, by order, special regulations in spite of the Articles 9, 10, 12, 15, 17 and 22. The Minister of Finance and Commerce is authorized to provide necessary restrictions to the Governmental permit mentioned above (Article 23).

In the supplementary, it is stipulated under Article 34 that, those persons who are already engaged in insurance business at the time of enforcement of this law are required to apply for Governmental permits by June 30, 1938. The same applies to agencies (Article 35). They, however, may continue their insurance business until they obtain Governmental permit or until their application is rejected (Article 36).

Establishment of Manchuria Fire and Marine Insurance Company. The Manchuria Fire and Marine Insurance Company held

its inaugural meeting on December 1, 1937 at Hsinking. It has a monopoly over the insurance business in Manchoukuo, side by side with the Manchuria Life Insurance Company. In addition to its primary business, the Company is required to play an important role in checking the flight of capital and in strengthening the domestic money market in concert with the Central Bank of Manchou, Industrial Bank, Manchuria Life Insurance Company, etc. Important problems created by the establishment of this Company concerning foreign insurance firms in Manchoukuo are dealt with in the Manchoukuo Insurance Business Law.

The Company is capitalized at five million yuan, one-fourth of which is paid-up. With its headquarters in Hsinking, the Company will have its branches in Dairen, Mukden and Harbin. The capital of the Company was subscribed as follows:

Dairen Fire Insurance Company	MY1,000,000
Kokusai Unyu Kaisha	100,000
Tabsing Kungssu	100,000
Industrial Bank of Manchou	100,000
Tokyo Marine Insurance Company	732,500
Other 33 Fire Insurance Firms in Japan	2,967,500
Total	5,000,000

CHAPTER IX COMMERCE

Introductory Remarks

The commercial activities of Manchuria, prior to the establishment of the new state, were confined mainly to transactions in agricultural products for the foreign and domestic markets and in imported consumption goods. Since the foundation of Manchoukuo business in capital goods has taken an important position in trade due principally to the large-scale industrial construction programme now under way. The greater portion of the trade is transacted through Japanese business houses which are mostly located in Dairen, Mukden and Hsinking, with branches in other prominent cities of Manchuria.

The business undertaken by the Manchurians are almost without exception in consumption goods. There are also quite a number of large foreign firms located in the country, representing American, British, German and White Russian interests in the main. These companies, with the exception of those operated by White Russians, are mostly active in the wholesale trade.

Manchurian Shops. Shops managed by Manchurians may be divided into two general categories: those under individual management and those under joint management. The former are on the whole similar to private shops in Japan; in the latter class the owners or capitalists are known as "tsaitung", but actual management is entrusted to managers who are called "changkueiti". Depending upon their size and business, these shops under joint management have a staff of several or scores of employees including "hsiao (small) changkueiti" and "huochi". These Manchurian shops maintain close relations with one another, and by binding themselves firmly together, they promote and safeguard their common interests, avoid unfair competition among themselves, assist one another in making purchases and in promoting sales, and work for the settlement of disputes among their colleagues.

Trade Names of Manchurian Shops. Characters most fre-

quently used for the trade names of Manchurian shops are limited to about 50 out of some 40,000 characters in the Chinese language. These select characters are mostly those which connote happiness and good fortune, or convey some moral meaning or an aesthetic sense, and characters taken from names of countries and places. The last characters of the trade names, moreover, designate the kind of trade in which each shop or firm engages, a few examples of which follow: 行 (hang), commission merchants and middlemen. 棧 (chan), warehouses and inns. 公司 (kungssu), companies. 廠 (chang), factories. 莊 (chuang), money exchange brokers and dry-goods stores.

Manchoukuo Corporation Law

As a provisional measure the Government of Manchoukuo in the first year of its founding in 1932 adopted by Ordinance No. 3 the Corporation Law of China promulgated in the 18th Year of the Republic. Though this law was originally based on the provisions of the chapter on corporations of the existing Japanese Commercial Code, it had a considerable number of defects from the standpoint of legislative technique. Moreover, there were many doubts as to its interpretation. The authorities of the Manchoukuo Department of Justice consequently began deliberations on the drafting of a new corporation law, which was finally promulgated on June 24, 1937, and enforced on December 1 of the same year. It comprises five chapters with 448 articles in all, embodying numerous progressive revisions of the old law. It was on the whole drafted along the lines of the chapter on corporations in the Japanese Commercial Code.

Agencies for the Promotion of Commerce

The improvement and development of trade and industry is the principal object of the shang kung kung hui (chamber of commerce and industry). Specifically it furnishes business and industrial connections, effects adjustments in matters relating to commerce and industry, mediates in, and passes judgment upon, disputes involving business and industry, gathers reports on both, offers guidance, acts as intermediary, gives explanations and expert opinions, makes appraisals, conducts investigations and other kindred tasks. Its membership embraces all those who are quali-

fied therefor by law. The guiding and operating bodies of the shang kung kung hui are the general council and the executive officers. The former consist of persons selected by the Government and those who are chosen by a selection committee commissioned by the Government. The executive officers comprise the chairman, the vice-chairman and directors.

The organization of this agency for the encouragement of trade and industry was made possible by the enactment of the Shang Kung Kung Hui Law in December, 1937. All such Japanese organizations as the "shoko kaigisho" (chambers of commerce and industry), the "jitsugyo-kai" (business societies) and the "shoko-kai" (commerce and industry societies), and the organizations of Manchurian businessmen, the "kung i hui" (chambers of commerce) and the "shang wu hui" (business societies) were amalgamated with the new shang kung kung hui formed under the aforementioned law.

Table 1. NO. OF CHAMBER OF COMMERCE AND INDUSTRY
(October, 1939)

Location:	No.	Location:	No.
Hsinking	1	Mutankiang	1
Mukden	20	Jehol	4
Pinkiang	20	Hsingan N.	2
Tungan	—	Tunghua	1
Peian	—	Sankiang	4
Kirin	19	Heiho	1
Chinchow	18	Hsingan S.	1
Antung	8	Hsingan E.	2
Chientao	4	Hsingan W.	2
Lungkiang	11	Total	119

Import Guilds

First organized in Dairen in 1927, the import guild has since made its appearance in 16 other principal cities in South Manchuria. It is an agency specially devoted to the promotion of Japanese retail business. These guilds were originally organized with funds advanced by the South Manchuria Railway Company. In order to promote and assist Japanese retail business, the guilds strive to expand markets for Japanese products, make joint purchases of fresh stocks of goods, advance funds at low interest to

their members, introduce improvements in shop management, shop customs and in the methods of ordering new supplies of goods, offer their good offices to their members in replenishing stocks, act as intermediary for commission sales, and work for a reduction of freight rates and other charges. The import guilds have rendered much service to business and industrial circles in Manchuria.

Table 2. CONDITION OF IMPORT GUILDS

	Members	Member unions	Subscription (¥1,000)	Advances		
				Advanced (¥1,000)	Redeemed (¥1,000)	Outstanding (¥1,000)
1935	1,273	340	2,346	—	—	3,461
1936	1,279	342	2,447	17,769	17,956	3,254
1937	1,377	363	2,586	18,620	18,307	3,567
1938	1,352	370	2,658	19,980	19,950	3,597
1939	1,423	—	—	16,022	14,056	4,099

Exchanges

Exchanges are of two kinds, one of which is managed by the State, and the other by private interests. Among those coming under the former category are the exchanges in Dairen, Hsinking and Harbin, which deal in staple produce or in business relating thereto. The privately-managed exchanges include the Dairen Stock and Commodities Exchange, the Antung Exchange and the Manchu Exchange in Mukden. These exchanges deal mostly in securities, cotton yarn, cotton piece-goods, gunny bags, wheat flour and sugar.

Markets

There are two Japanese-owned markets, the Kwantung Territory Central Wholesale Market and the Kwantung Territory Aquatic Products Association Fish Market. Markets in Manchoukuo are regulated by the Provisional Aquatic Products Market Law and the Central Wholesale Market Law enacted and enforced in 1934. Under the latter law two central wholesale markets have been opened, namely at Harbin and Kirin. Similar markets are also projected in Hsinking, Mukden and Tsitsihar.

Warehousing

The warehousing business in Manchuria originated in the Dairen Warehousing Company which began to show activity in

1909. During the war boom more than 40 warehousing companies were brought into being. Since the post-war economic depression set in 1920, the business has dwindled. The warehousing business under the management of the S.M.R. alone has steadily developed without being affected by the depression. The godowns run by the S.M.R. Company are in no way behind those in the advanced countries of the West in scope, accommodating capacity and general equipments.

The S.M.R. warehousing business is so predominant that it represents about 90 per cent of goods in the godowns in all Manchuria. Besides the S.M.R. godowns, there are twelve principal warehousing companies in Manchoukuo, four of them being in Dairen, two in Mukden, two in Hsinking, three in Harbin and one in Fushun.

Principal goods handled by these godowns are soya-bean, bean-cake, kaoliang, maize, rice, red beans, irons, wheat flour, cement, petroleum. In view of the sharp increase in imports and poor accommodating capacity the Manchou Import Federation started a co-operative import warehouse for its members at the end of July, 1935. The warehouse, which was completed towards the end of the year, is placed under the supervision of the Manchou Import Company, which was established in August, 1935.

S.M.R. Warehousing. It was in September, 1911 that the S.M.R. Company opened the warehousing business. Prior to this, or in 1908 the Company instituted a small-scale warehousing facility in the Dairen pier compounds; in 1919, it introduced the open-air storage system at the leading stations along its lines and in 1911 inaugurated the present up-to-date warehousing system at the Dairen waterfront and along its railways. At present there are 70 godowns with an aggregate floor space of over 385,000 square metres on the piers and within the pier compounds of the Dairen harbour and no less than 199 godowns with an aggregate floor space of 154,000 square metres at 3 leading stations. The cargoes handled at these godowns amount to over 11,600,000 tons a year, 60% of which are beans and bean products.

It is of special importance to note that, in order to facilitate the shipment and marketing of soya-beans, the Company had inaugurated what is known as the mixed-storage system, first at the Dairen pier in 1912 and then gradually at Mukden, Kaiyuan, and

other centres on the main line. Under this unique system the Company grades and classifies beans at receiving points according to qualities and weights and issues receipt which are negotiable at banks and which call for like quantities and qualities of beans at the specified terminal points. The system was so successful that it was later extended to bean-cake, bean-oil and wheat. It is also significant to add that the Company, with the inauguration of its warehousing facilities introduced the practice of the insurance on all goods in storage at the Company's godowns, entirely free of charge to the shippers.

Manchoukuo Enterprise. The warehousing business under Manchoukuoan management is still in a primitive stage of development. It consists simply in receiving goods for custody for a small amount of fees. No warehousing certificate is issued. Nor any means of affording credit is provided. Besides, there is another sort of warehousing agent known as "Liangchan," which exercises superb influence over the trade in special Manchurian products. Besides receiving goods for custody it runs hotel and financial business. Its godowns occupy a very important position outside the S.M.R. zone, but they are out of comparison with the Manchu and other godowns under Japanese management in point of storage and equipments.

Price Control

The Price Committee consisting of Government officials and representatives of special companies after several meetings in 1939 decided on the principles of price control to be enforced. The object of the price control is not only to check an undue price advance, but the harmonization of the price level with requirements from the viewpoint of the expansion of production capacity.

Principles of Price Control. (a) Price of domestic commodities shall be stabilized on a comparatively low level, compared with the present level in Japan and Manchoukuo. (b) As regards articles imported from Japan, a balance shall be maintained between prices in Japan and Manchoukuo. (c) As regards export commodities, special consideration shall be given to conditions in over-sea markets. (d) For non-essential commodities, comparatively high prices will be allowed in order to check consumption.

Methods of Price Control. (a) Consideration will be given to

checking a future price advance and to price adjustment among various groups of commodities. (1) Distribution will be organized in grains as the main national food. (2) The volume and price of necessities for daily consumption which are imported from Japan will be placed under special control of the Japanese and Manchoukuo Governments. (3) Measures shall be taken to mitigate the shortage of houses and to check an advance in house rents. (4) Control of wages.

(b) Special organizations, national and local, shall be established to enforce the above methods. These organizations will be intimately connected with adjustment committees for raw materials.

Table 3. INTERNATIONAL COMPARISON OF WHOLESALE PRICES

(Index: 1933=100)

	Hsinking	Dairen	Tokyo	Shang-hai	Tientsin	London	New York	Paris
1933 (Aver.)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1934 (")	92.6	102.2	99.0	93.7	91.3	102.9	113.8	94.3
1935 (")	103.4	106.9	103.3	92.6	94.6	106.2	121.4	89.4
1936 (")	106.1	109.0	109.6	104.4	110.0	111.4	122.6	104.4
1937 (")	125.1	124.8	132.7	123.8	120.5	129.0	131.0	145.1
1938 (")	149.6	151.4	140.0	147.0	166.9	114.7	119.1	194.9
1939 (")	181.3	192.2	154.6	225.3	248.6	112.7	116.8	174.9
1939:								
Jan.	161.4	166.7	144.3	163.2	182.5	104.4	116.4	174.2
Feb.	164.9	171.4	147.3	166.6	186.0	104.3	116.4	174.5
Mar.	171.1	176.2	147.5	173.2	194.0	104.8	116.5	175.5
Apr.	171.7	179.0	148.3	174.4	200.7	106.5	115.5	175.8
May	178.2	184.8	150.1	177.3	225.6	106.6	115.5	178.6
June	182.7	188.4	150.1	192.0	229.2	106.6	147.7	176.5
July	186.0	190.0	150.6	196.8	245.4	94.7	114.3	174.5
Aug.	185.8	193.4	151.6	254.3	279.9	113.4	113.5	169.3
Sept.	186.8	200.8	160.3	306.4	301.8	125.1	119.0	—
Oct.	195.2	211.8	163.2	320.1	311.3	132.7	120.0	—
Nov.	194.1	219.9	166.9	322.2	307.0	140.8	120.2	—
Dec.	198.2	224.5	175.0	357.4	319.4	150.7	119.9	—
1940:								
Jan.	201.3	226.7	178.2	377.6	344.2	155.7	120.3	—
Feb.	209.0	238.3	176.4	434.9	401.6	156.2	119.3	—
Mar.	218.6	242.1	173.8	450.0	423.2	154.8	118.5	—
Apr.	224.6	229.2	174.9	467.1	439.0	158.1	118.8	—
May	230.1	260.1	173.7	—	479.4	160.6	119.6	—
June	238.0	276.4	171.8	—	477.7	—	117.5	—

Table 4. WHOLESALE COMMODITY PRICE INDICES IN HSINKING

Average of	Commodities for domestic consumption (17 Art.)	Export goods (12 Art.)	Import goods (33 Art.)	Raw materials (13 Art.)	Consumers' goods (38 Art.)	Equipment goods (12 Art.)	Farmers' purchases (19 Art.)	Farmers' sales (8 Art.)
1933	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1934	93.6	95.5	90.6	92.9	95.9	93.6	91.5	97.1
1935	103.2	136.7	90.7	94.5	109.3	94.1	99.5	153.1
1936	104.3	147.3	90.7	100.8	112.3	92.4	103.2	157.0
1937	117.0	165.4	113.3	121.4	122.0	139.2	112.0	178.8
1938	137.4	167.2	144.0	147.6	141.8	174.6	141.4	185.2
1939	175.0	218.9	169.9	168.0	191.8	163.7	171.1	253.2
June, 1939 .	177.0	221.7	168.5	163.0	194.6	166.3	168.0	272.5
June, 1940 .	227.3	292.7	244.9	200.1	262.1	189.4	204.3	339.2

(Continued)

Average of	Chief staple products (6 Art.)	Miscellaneous cereals (5 Art.)	Foods and beverages (12 Art.)	Textiles (13 Art.)	Metals and metal wares (7 Art.)	Building materials (6 Art.)	Light and fuel (6 Art.)	Miscellaneous (8 Art.)	Average of all commodities (63 Art.)
1933 ...	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1934 ...	94.5	92.8	94.0	90.4	92.4	89.8	94.0	93.4	92.6
1935 ...	179.2	104.5	104.1	88.3	93.3	93.9	91.5	93.6	103.4
1936 ...	185.7	115.8	106.5	91.8	92.8	91.2	94.7	96.0	106.1
1937 ...	202.4	134.4	112.5	106.5	161.7	106.6	98.6	112.5	125.1
1938 ...	202.9	141.6	124.9	151.6	211.6	128.6	106.9	149.5	149.6
1939 ...	271.4	195.8	155.4	191.9	155.7	166.6	129.8	198.8	181.3
June, 1939	291.9	200.4	152.4	193.3	152.0	175.4	126.3	192.8	182.7
June, 1940	285.1	325.9	201.9	233.1	209.2	187.2	177.3	318.5	238.0

Table 5. WHOLESALE PRICES OF PRINCIPAL STAPLE COMMODITIES IN HSINKING (Unit: MY)

	Rice (koku)	Wheat (1 lb.)	Wheat flour (100 kin)	Soya "3 star" (bag)	Bean "1st" (100 kin)	Bean cake (piece)	Bean Oil (100 kin)	Kaoliang (100 kin)	Gummy bag (100)
1934	20.74	1.35	3.07	2.79	2.78	0.90	10.50	1.59	43.44
1935	26.57	1.42	6.58	3.30	4.27	1.32	18.02	3.84	44.66
1936	25.56	1.47	7.18	3.40	5.45	1.72	22.72	3.17	42.95
1937	26.17	2.07	7.01	4.44	5.93	1.89	22.79	3.71	45.39
1938	32.00	2.68	6.99	5.61	5.65	1.85	17.59	4.17	55.93
1939	41.02	2.57	9.29	6.88	7.08	2.78	18.39	5.01	100.33
June, 1939 .	41.00	2.54	10.93	6.86	7.81	2.62	20.15	5.78	109.97
June, 1940 .	51.07	3.21	10.18	8.09	7.69	2.45	23.00	5.88	150.00

(Continued)	Cotton		Cement	Brick	Iron bar	Lumber	Glass	Gasoline	Coal
	Sugar	"20 count"							
	(135 kin)	(bale)	"Onoda"	(1,000)	(100 kg.)	"Red pine"	"Shoko"	"yellow"	"Funshun"
			(bag)			(1 cubic ft.)	(case)	(2 cans)	(ton)
1934 ...	18.07	231.11	1.52	16.17	12.13	1.11	8.74	9.12	10.42
1935 ...	19.03	238.11	1.56	15.83	11.82	1.09	8.84	8.76	10.98
1936 ...	19.69	248.77	1.45	12.45	11.82	1.29	8.94	8.91	11.65
1937 ...	21.56	292.83	1.44	13.66	22.26	1.72	10.45	9.08	11.65
1938 ...	30.94	463.86	1.53	16.13	20.46	2.63	10.44	9.35	12.38
1939 ...	41.06	451.38	1.66	22.99	20.20	3.24	13.15	9.84	13.38
June, 1939	42.44	440.00	1.66	28.69	20.20	3.42	12.19	9.96	12.80
June, 1940	44.42	440.00	1.80	22.00	35.20	3.04	15.60	9.85	16.75

Provisional Capital Control Law

The Provisional Capital Control Law was enforced by the Manchoukuo Government on October 1, 1938, in line with its policy to control the raising of funds in Manchuria, which are urgently needed for the execution of the Five-Year Industrial Plan. Various enterprises in Manchoukuo have been making much progress of late parallel with the progress of the Five-Year Plan, and the demand for capital has, as a result, become increasingly large. If the situation were left to take its own course, it is feared that the capital may be used in not urgently necessary industries. It is to effectively utilize domestic capital for the smooth execution of the five-year plan as well as for other enterprises which are indispensable to the economic life of the people that the Provisional Capital Control Law was enacted. This law also aims at regulating any unreasonable soaring of general commodity prices.

Formerly, all companies, with the exception of special corporations, were not required to apply to the Department of Finance and Commerce to obtain permission on such matter as the establishment of new concerns, increase of capital, mergers, calling up of unpaid shares, and debenture flotation. Under the above law, however, all companies, regardless of the amount of their capital, are subject to the same requirements.

Capitalization Expansion

In accordance with the provisions of the Provisional Capital Law, enforced on October 1, 1938, a total of 232 permits were granted to various companies in Manchoukuo during the six-

month period ending March 31, 1939, for increasing their capital, calling up unpaid shares, floating debentures, etc., to the amount of MY993,959,000, according to an announcement made by the Department of Finance and Commerce on June 2, 1939.

Classified by business, mining and manufacturing companies led the list with MY754,000,000, which is 70 per cent of the total amount involved in the permits, and indicates the rapid expansion of "emergency" industries in Manchuria. According to categories, the calling up of unpaid shares came first with MY194,000,000, and debenture flotation second, with MY127,000,000.

Table 6. NUMBER AND AMOUNT OF CAPITAL OF COMPANIES IN MANCHOUKUO AND KWANTUNG

(In MY1,000)

	Joint stock companies		Limited partnerships		Unlimited partnerships		Total		
	No.	Paid-up capital	No.	Paid-up capital	No.	Paid-up capital	No.	Paid-up capital	
									Authorized capital
1930	422	951,825	674,028	742	27,312	107	12,369	1,271	713,711
1931	414	939,670	665,019	816	28,731	121	13,080	1,351	706,831
1932	437	984,448	692,704	928	31,420	132	13,365	1,479	737,520
1933	477	1,447,343	942,508	1,047	34,457	159	14,459	1,683	991,425
1934	573	1,764,495	1,116,465	1,201	39,760	192	16,902	1,966	1,173,128
1935	674	1,764,135	1,197,014	1,385	47,078	227	18,501	2,286	1,262,594
1936	794	1,946,960	1,337,041	1,648	58,993	326	25,651	2,768	1,421,685
1937	959	2,951,444	2,122,827	1,862	69,134	598	41,492	3,419	2,233,452
1938	1,136	3,440,361	2,450,398	2,018	78,362	1,070	59,608	4,224	2,588,368
1939	1,442	4,382,136	3,083,374	2,029	78,666	1,214	73,319	4,688	3,235,359

Table 7. NUMBER AND PAID-UP CAPITAL OF JOINT STOCK COMPANIES BY BUSINESS IN MANCHOUKUO AND KWANTUNG

(Amount in MY1,000)

	Agriculture, forestry, fishery and colonization		Mining		Mfg. Industry		Commerce and exchange	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1930	16	9,135	6	3,475	148	91,801	95	27,775
1931	15	9,035	6	3,475	147	90,938	92	26,349
1932	16	9,060	6	3,475	151	93,393	100	27,889
1933	18	9,135	7	5,975	172	158,592	108	30,514
1934	22	10,335	12	27,187	207	295,663	123	32,434

	Agriculture, forestry, fishery and colonization		Mining		Mfg. Industry		Commerce and exchange	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
	1935	25	11,113	16	37,600	238	349,157	164	42,720
1936	31	27,800	16	37,825	284	469,736	190	52,346
1937	33	57,478	31	77,163	351	630,496	237	84,206
1938	36	78,946	42	160,188	417	766,112	296	107,993
1939 (Oct.)	43	108,393	56	297,702	527	1,172,633	366	130,183

	Transportation and communication		Financing		Total incl. Others	
	No.	Amount	No.	Amount	No.	Amount
	1930	35	487,077	68	30,632	412	674,028
1931	35	487,127	68	30,632	414	665,019
1932	37	492,527	70	45,657	437	692,704
1933	41	666,488	72	50,677	477	942,508
1934	49	667,383	89	58,102	573	1,116,465
1935	56	668,453	95	55,027	674	1,197,015
1936	59	660,780	108	49,849	794	1,337,042
1937	68	717,195	111	67,592	959	2,122,827
1938	76	801,920	114	69,350	1,136	2,450,398
1939 (Oct.)	79	816,862	117	74,058	1,363	3,165,231

Table 8. PAID-UP CAPITAL OF JOINT-STOCK COMPANIES CLASSIFIED BY INDUSTRIES

(Index 1934=100; % against total)

	Agriculture, forestry, fishery and colonization		Mining		Mfg. Industry		Commerce and exchange		Transportation and communication		Financing		Total incl. Others	
	Index	%	Index	%	Index	%	Index	%	Index	%	Index	%	Index	%
	1930	89	1.4	13	0.5	31	13.6	86	4.0	72	72.2	53	4.5	61	100
1931	87	1.4	13	0.5	30	13.4	81	4.0	72	73.2	53	4.6	60	100
1932	87	1.3	13	0.5	32	13.4	87	4.0	74	71.0	79	6.6	62	100
1933	89	1.0	22	0.6	54	16.9	95	4.2	100	70.3	87	5.4	85	100
1934	100	0.9	100	2.5	100	26.6	100	2.9	100	60.0	100	5.2	100	100
1935	107	1.0	140	3.4	119	31.3	130	3.8	101	59.6	95	4.9	108	100
1936	270	2.8	140	2.8	159	35.0	162	3.9	99	49.5	86	3.7	120	100
1937	560	2.7	285	3.6	210	29.8	260	4.0	108	34.8	117	3.7	194	100
1938	767	3.2	590	6.5	260	31.3	330	4.4	122	32.7	120	2.8	222	100
1939 (Oct.)	1,052	3.4	1,090	9.4	295	37.4	398	4.1	124	25.8	578	2.3	287	100

Table 9. COMPANIES CLASSIFIED BY SCALE OF PAID-UP CAPITAL

	Below MY50,000		Above MY50,000		Above MY100,000		Above MY500,000		Above MY1 Million	
	Cos.	Cap. %	Cos.	Cap. %	Cos.	Cap. %	Cos.	Cap. %	Cos.	Cap. %
	1935	1,372	1.5	289	1.3	442	6.3	78	3.6	87	13.5
1936	1,635	1.6	372	1.5	546	6.7	95	3.9	98	14.0
1937	2,047	1.3	432	1.1	642	5.1	115	3.0	141	12.1
1938	2,596	1.4	499	1.1	775	5.5	132	3.0	161	12.1
1938:										
Agriculture & Forestry	49	2.1	17	2.1	18	7.8	4	4.1	2	7.2
Aquatic	6	5.0	—	—	3	20.0	1	25.0	1	50.0
Mining	27	0.2	10	0.3	16	2.0	9	3.3	14	17.0
Mfg. Ind.	549	1.0	122	0.9	230	5.5	51	3.9	78	21.3
Transportation	104	0.2	25	0.2	39	1.0	6	0.5	12	3.4
Communications	—	—	—	—	—	—	—	—	—	—
Development	—	—	—	—	—	—	—	—	—	—
Real Estate	119	3.1	56	4.3	130	30.0	18	12.5	13	23.8
Commerce	1,488	12.8	214	8.1	235	26.2	28	10.3	25	25.0
Exchange	—	—	—	—	9	16.6	1	5.3	3	78.1
Bourse	99	2.2	32	2.6	56	15.0	12	10.8	9	19.0
Others	156	0.4	23	0.3	39	1.6	2	0.4	4	1.9

	Above MY5 Million		Above MY10 Million		Above MY100 Million		Total	
	Cos.	Cap. %	Cos.	Cap. %	Cos.	Cap. %	Cos.	Cap. %
	(Continued)							
1935	7	3.1	10	24.4	1	46.3	2,286	1,262,594
1936	16	6.9	10	24.3	1	41.1	2,768	1,421,685
1937	20	5.3	19	19.3	3	52.8	3,419	2,233,450
1938	31	6.9	26	19.8	4	50.2	4,224	2,588,367
1938:								
Agriculture & Forestry	3	35.8	1	40.9	—	—	94	48,859
Aquatic	—	—	—	—	—	—	11	2,006
Mining	1	4.3	5	72.9	—	—	82	162,877
Mfg. Ind.	18	13.5	12	27.8	2	26.1	1,061	795,991
Transportation	1	0.6	2	3.7	1	90.4	190	770,221
Communications	—	—	1	100.0	—	—	1	36,250
Development	2	18.4	2	81.6	—	—	2	40,800
Real Estate	1	6.6	1	19.7	—	—	338	76,080
Commerce	4	11.1	1	6.5	—	—	1,995	153,103
Exchange	—	—	—	—	—	—	13	9,385
Bourse	1	8.4	2	42.0	—	—	211	71,393
Others	1	1.2	—	—	1	94.2	226	421,398

Note: The % of paid-up capitalization is against the grand total in case of the yearly comparison, and is against each class total when subdivided by industries.

Table 10. MOVEMENTS OF PAID-UP CAPITAL

(Unit: Amount in One Million MY)

	Newly Established		Newly Increased		Newly Paid-up	
	Firms	Amount	Firms	Amount	Firms	Amount
1935	358	72.0	43	5.9	33	56.2
1936	587	186.3	49	15.9	40	51.6
1937	686	374.5	96	202.7	65	64.1
1938	1,013	186.5	170	113.1	137	226.4
1939	360	63.9	168	136.1	93	116.4

(Continued)	Decreased		Dissolved		Outstanding	
	Firms	Amount	Firms	Amount	Firms	Amount
1935	13	3.6	93	6.3	2,380	1,294.3
1936	19	19.7	131	24.0	2,836	1,505.6
1937	11	2.7	140	20.0	3,382	2,182.3
1938	5	0.3	174	29.7	4,221	2,678.8
1939	—	—	89	16.4	4,492	2,978.8

Table 11. COMPANIES CLASSIFIED BY BUSINESS

	June, 1938			Dec. 1939		
	No. of firms	Capital (MY1,000)		No. of firms	Capital (MY1,000)	
		Cap.	P.U.		Cap.	P.U.
Banks	51	85,966	45,303	52	90,666	47,728
Exchanges	12	26,685	9,435	11	26,185	9,310
Mujin	13	2,310	1,102	13	2,310	1,147
Financing & Brokers	167	59,163	29,748	176	71,202	35,713
Commercial	1,622	134,384	105,212	2,133	198,063	145,241
Markets	10	1,285	1,134	12	4,935	2,709
Spinning, Weaving & Dyeing	50	72,957	39,754	72	97,274	54,746
Chemical Ind.	113	191,012	106,351	165	373,853	167,280
Metal, Machinery	109	239,093	173,258	166	554,143	416,292
Lumbering & Woodworking	83	23,046	12,453	104	30,922	22,344
Food Ind.	194	83,658	50,445	242	87,690	59,727
Miscellaneous Ind.	117	115,609	95,890	138	131,470	102,167
Ceramic & Mining	171	677,488	522,803	210	847,794	708,453
Electric & Gas	28	190,029	130,581	26	215,429	150,043
Traffic & Transports	152	875,659	714,851	181	908,116	800,336
Warehouse, Insurance & Communications	21	64,220	41,313	21	62,638	40,931

(Continued)

	No. of firms	June, 1938		No. of firms	Dec. 1939	
		Capital (MY1,000)			Capital (MY1,000)	
		Cap.	P.U.		Cap.	P.U.
Real Estate	143	55,851	25,681	163	100,873	51,335
Development	109	127,225	76,155	135	182,024	111,517
Civil Engineering	199	32,224	25,236	218	36,736	28,288
Publishing & Printing	56	13,392	8,626	55	13,892	10,191
Hotels & Amusements	51	5,424	3,915	57	11,222	7,958
Others	110	6,281	3,971	142	8,542	5,305
Total	3,581	3,085,961	2,223,217	4,492	4,055,979	2,978,761

Trade Marks

In September, 1933 the Trade Mark Law and Detailed Regulations for the Enforcement of the Law were promulgated by the Manchoukuo Government. From their enforcement on November 20 of the same year to the end of December, 1936 the Government received a total of 24,054 applications for trade mark registration.

The number of applications from nationals of countries, which have not yet recognized the new State, is steadily increasing.

Table 12. NO. OF PATENT RIGHT, UTILITY MODEL AND TRADE MARKS REGISTERED

	Year	Patent Right		Utility Model		Trade Mark	
		Applied	Granted	Applied	Granted	Applied	Granted
Manchoukuoan	1936	6	1	8	—	299	166
	1937	23	—	6	—	289	211
	1938	47	—	20	—	492	232
Japanese	1936	4,284	527	753	120	1,926	2,607
	1937	7,659	4,219	1,505	556	1,737	1,752
	1938	2,289	3,283	400	740	2,025	1,333
British	1936	23	—	2	—	63	437
	1937	94	13	—	—	69	154
	1938	8	45	1	—	64	25
U.S.A.	1936	98	5	13	—	110	307
	1937	249	61	6	—	113	180
	1938	53	114	1	8	66	68
German	1936	1,210	259	5	—	176	492
	1937	766	513	34	3	147	205
	1938	374	230	35	11	151	94

(Continued)		Patent Right		Utility Model		Trade Mark	
		Applied	Granted	Applied	Granted	Applied	Granted
French	1936	30	—	—	—	17	176
	1937	41	15	—	—	13	29
	1938	13	19	—	—	16	4
Italian	1936	12	—	—	—	6	12
	1937	33	7	—	—	1	7
	1938	5	25	—	—	—	—
Swiss	1936	20	5	—	—	—	—
	1937	22	16	—	—	—	—
	1938	18	8	—	—	10	9
Total incl. Others	1936	5,735	800	783	120	2,655	4,330
	1937	8,965	4,880	1,551	559	2,426	2,591
	1938	2,827	3,740	457	759	2,847	1,800

Note: The number granted is inclusive of those applied for, during previous years.

Weights and Measures

Various standards of weights and measures have been in use in Manchoukuo, to the great inconvenience of dealers and customers alike. Generally speaking they may be classified into the Chinese, Japanese and Russian systems, the international metric, and the British "foot-pound" systems. Each has its own particular field of use, the Chinese system being employed among the Manchurians and Chinese, the Japanese among the Japanese, the Russian among the Russian population, and the metric and the foot-pound standards among those having transactions with the South Manchuria Railway Co. In order to reform this confused state of affairs, the Government, on January 25, 1934 promulgated the Weights and Measures Law, stipulating that for general transactions and for purposes of certification, the international metric system or the new "chih-chin" system should be used. In September, 1935, a measurement law was enacted to unify all weights and measures which were excluded from the Weights and Measures Law of 1934.

Under the present system all implements for weights and measures must be duly inspected and authenticated by the authorized public weighters and measurers located in town and country before such implements can be used for business transactions.

Japan-Manchoukuo Trading Company

The Japan-Manchoukuo Trading Company (Nichiman Shoji K.K.) was established in 1936 with a capital of ¥10,000,000 (¥6,000,000 paid up) with a view to transacting in the following business:

(1) To deal in fuels, metals, fertilizers, minerals, building materials, chemical industrial products, etc. and conduct commission business. (2) To conduct business at the request or order of the Government in addition to the foregoing business.

The Company is at present a national distribution control organ of the Government. At the outset, the Company was composed of the former sales department of the South Manchuria Railway Co., and the former sales department of the Manchuria Coal Mining Co., and the former Fushun Coal Sales Co. in Japan. Later, the sales departments of the Showa Steel Works and the Manchuria Chemical Industrial Co. were also incorporated in the firm.

Among the principal companies whose products are handled by the Company are:

- a. The South Manchuria Railway Company (coal, coke, briquettes, mineral oils, sulphate of ammonia, etc.)
- b. The Showa Steel Works (pig iron, steel materials, coke, sulphate of ammonia, pitch, coal-tar, etc.)
- c. The Penhsihu Colliery & Iron Works (coal, pig iron, etc.)
- d. The Manchuria Chemical Industry Company (sulphate of ammonia, coke, etc.)
- e. The Japan Iron Manufacturing Company (steel materials)
- f. The Anshan Steel Products Company (steel products)
- g. The Fuchou Mining Company (fire-clay).
- h. The South Manchuria Mining Company (magnesite, etc.)
- i. The Manchuria Steatite Company (steatite)
- j. The Yamato Dyestuff Manufacturing Company (benzol, etc.)
- k. The Manchuria Soda Company (caustic soda, soda ash)
- l. The Fushun Soap Manufacturing Company (soap)
- m. The Manchuria Light Metals Company (aluminium)
- n. The Lu Ta Mining Company (coal)
- o. The Manchuria Gas Company (coke, coal-tar, etc.)

CHARACTERISTICS OF THE SPECIAL COMPANIES IN MANCHOUKUO

The basic policy for the economic development of Manchoukuo aims, along the lines of the General Principles for the Economic Construction of Manchoukuo, at the elimination of the shortcomings of the capitalistic economic system through the enforcement of necessary state control. For this purpose, key industries which either have important bearings upon the national defence or are of the nature of public utilities are, as a general rule, to be placed under public management or made enterprises of special companies. Other industries and general economic activities concerning natural resources are to be free private undertakings although appropriate measures will be taken to regulate the relations between demand and supply. Legislation for the execution of the above-stated policy was made in May, 1937, in the form of the enactment of a Key Industry Control Law. Under this law, practically all the key industries are managed by the state, special companies or quasi-special companies.

The function of special companies is governed by special company laws whereby the Government is empowered to control such organizations, in regard to the appointment or dismissal of officers or directors, important amendments to the articles of association and resolutions relative to the disposal of profits, merger or dissolution. Further, special companies are required to determine their enterprise schemes for every year and submit them to the Government which is also empowered to issue necessary orders to the companies from the standpoint of control or public good. Quasi-special companies managing enterprises which come within the purview of the Key Industry Control Law are also subject to the control by the Government as in the case of special companies.

The major characteristic of the special companies in Manchoukuo is to be found in the fact that they have been established on the basis of a principle of "one enterprise, one company" which naturally brings about monopolistic management of enterprises. As the economic development progressed, the necessity of establishing organic relations among the various companies came to be felt more keenly, and with the organization of the Manchuria Heavy Industry Company serving as a turning-point, a principle

of synthetic management of enterprises was adopted with a view to furthering the economic construction of the country.

While special companies form the objective of their respective organic laws, the companies managing enterprises within the sphere of the same industries are controlled by the Key Industry Control Law itself. Consequently, there exists a great difference between the special companies and other companies in regard to governmental control. In the case of the former, governmental control extends to the internal relations of enterprises, namely, organization and finance, but in the case of the latter, it is confined to the external relations of enterprises. Moreover, special companies are generally partially financed by the Government. It may be noted here, however, that although the right of voting is in proportion to the number of stocks held, the relations between the Government and special companies are based on strong administrative powers, irrespective of the extent of the financing by the Government. Quasi-special companies, i.e. companies which are dealt with in a similar way to the special companies, also stand on the principle of "one enterprise, one company" but they have no special laws of their own. Some of the quasi-special companies involve governmental funds while others do not.

Another point which may be pointed out here with reference to the relations between special companies and the Key Industry Control Law concerns their objectives. In a statement, the Government has clarified that in regard to enterprises, the Key Industry Control Law has for its objectives only two departments, namely, the manufacturing industry and mining industry, while special companies include in their scope all branches of the industry and even the department of distribution enterprises. In other words, all enterprises, no matter whether they concern the industry itself or the distribution of products, come under the control of the Government, either as an objective of the Key Industry Control Law or as the objective of special companies, when they are closely related to the national defence or have important relations with public interests.

Process of Growth of Special Company System

The General Principles for the Economic Construction of Manchoukuo were promulgated on March 1, 1933, on the occasion

of the first anniversary of the founding of the state. The establishment of the principles, however, immediately followed the birth of the new independent state. Already in June, 1932, the Manchou Central Bank Act was promulgated, and on the basis of this act, the Manchou Central Bank was founded on the 11th of the same month, marking the first step forward toward the unification of the monetary system and the control over the banking business in the country. Again, in September the same year, a Manchuria Air Transport Company, quasi-special juridical person, was established with the investments made by the South Manchuria Railway Company and the Sumitomo Bank, with a view to controlling all the air service enterprises throughout Manchuria. Another quasi-special company was brought into existence in the following month with a capital of two million yen by the Mitsui and Okura interests, which is the predecessor of the present Fengtien (Mukden) Arsenal.

The first special company to be established following the announcement of the principle of "one enterprise, one company" and the special company system was the Manchuria Telegraph and Telephone Company. It was organized on the basis of the Japan-Manchoukuo Treaty and launched with a capital of fifty million yen which exceeded the capital of any other establishment of a similar nature in the country at that time. The year 1934 witnessed the founding of seven more companies, namely, the Manchuria Petroleum Company which was brought into being in connection with the enforcement of the monopoly system for petroleum, the Tunghe (Dowa) Automobile Industrial Company, the Manchuria Coal Mining Company, the Manchuria Gauge Company, the Manchuria Gold Mining Company and the Manchuria Electricity Industrial Company. In the following year, the Fengtien (Mukden) Industrial Land Company (which was later dissolved with its land holdings taken over by the Fengtien Municipality) and the Manchuria Mining Promotion Company were created and the Penhsihu Coal and Iron Company was reorganized.

As many as thirteen special and quasi-special companies were established during 1936, with total capitalization amounting to slightly over 128 million yen. In January, the Manchuria Colonization Joint-Stock Company, predecessor of the present Man-

churia Colonization Company, emerged and the Manchuria Forestry Company, the Manchuria Salt Industry Company and the Manchuria Soda Company followed during the first half of the year. Those established during the second half included the Manchuria Liquefaction Company, the Manchuria-Korea (Mansen) Colonization Company, the Manchuria Press Association, the Japan-Manchoukuo Trading Company, the Manchuria Life Insurance Company, the Manchuria Light Metal Manufacturing Company and the Manchuria Industrial Bank. Simultaneously, two quasi-special companies, namely, the Fengtien (Mukden) Arsenal and the Manchuria Gauge Company, were reorganized into special companies involving governmental funds.

Only one special company was formed during the first half of 1937, viz. the Manchuria Books (or Publishing) Company. The second half of the year, however, witnessed the creation of nine companies including the Manchuria Heavy Industry Development Company which was established through the re-organization of the Japan Industrial Company (commonly known as Nissan) and came as a great surprise to various circles both in Manchuria and Japan. Others included the Manchuria Synthetic Fuel Company, the Manchuria Motion Picture Association, the Manchuria Colonization Company (created through the re-organization of an old company bearing the same name), the Manchuria Stock-raising Company, the Manchuria Bean-halm Pulp Company, the Yalu Hydroelectric Company and the Manchuria Fire and Mine Insurance Company. In regard to the amount of capital, the Manchuria Heavy Industry Development Company is second only to the South Manchuria Railway Company. The Manchuria Synthetic Fuel, Manchuria Colonization, and Yalu Hydroelectric companies also are large establishments, each being capitalized at fifty million yen. Thus, the total authorized capitalization of the companies created during 1937, although three less than in the preceding year, represented almost four times as much. Even excluding the Manchuria Heavy Industry Development Company, the total capitalization of the companies created during 1937 nearly doubled the same figure for the preceding year.

A total of eight special and quasi-special companies were brought into existence during 1938, including the Manchuria Building Company, the Manchuria Mining Company (embracing

(Continued)	Location of Head Office	Date of Establishment	Capital (in 1,000 yuan)	Business
Manchuria-Korea Colonization Co.	Hsinking	Sept. 14	15,000	Business relative to Korean immigrants
Manchuria Press Association	Hsinking	Sept. 28	2,000	Investments in press enterprises
*Japan-Manchoukuo Trading Co.	Hsinking	Oct. 1	10,000	Sale, on commission or otherwise, of commodities
Manchuria Life Insurance Co.	Hsinking	Oct. 23	3,000	Life insurance enterprises
Manchuria Gauge Company	Hsinking	Oct. 23	3,000	Manufacture and sale of gauges
Manchuria Light Metal Manufacturing Company	Fushun	Nov. 10	25,000	Manufacture and sale of aluminium
Manchuria Industrial Bank	Hsinking	Dec. 7	30,000	Financial facilities for industries
1937				
Manchuria Books (or Publishing) Co.	Hsinking	Apr. 9	2,000	Publication of books
Manchuria Synthetic Fuel Co.	Hsinking	Aug. 6	50,000	Coal liquefaction
*Manchuria Stock-raising Co.	Hsinking	Aug. 30	5,000	Dealings in livestock and manufacture, etc.
Manchuria Colonization Co.	Hsinking	Aug. 31	50,000	Business relative to Japanese immigrants
*Manchuria Bean-halm Pulp Co.	Hsinking	Sept. 3	10,000	Production and sale of pulp
Yalu Hydro-electric Company of Manchuria ...	Hsinking	Sept. 7	50,000	Hydroelectric enterprises
Yalu Hydro-electric Company	Keijo	Sept. 7	50,000	Hydroelectric enterprises

(Continued)	Location of Head Office	Date of Establishment	Capital (in 1,000 yuan)	Business
*Manchuria Fire and Marine Insurance Co.	Hsinking	Dec. 1	5,000	Fire insurance business
Manchuria Industrial Development Corp. ...	Hsinking	Dec. 24	225,000	Investments in heavy industry
1938				
Manchuria Building Co. ...	Hsinking	Feb. 17	30,000	Construction of houses and encouragement to such work
Manchuria Liquefaction Industrial Co.	Hsinking	Feb. 23	20,000	Liquefaction of coal
*Manchuria Mining Co. ...	Hsinking	Feb. 28	50,000	Exploitation of non-ferrous metal
Manchuria Aeroplane Manufacturing Co.	Fengtien	June 20	20,000	Manufacture and repair of airplanes
*Tungpientao Development Co.	Hsinking	Sept. 14	30,000	Exploitation of mineral resources in Tunghua
Manchuria Electro-chemical Industrial Co.	Hsinking	Oct. 24	30,000	Synthetic management of electro-chemical industry
Manchuria Leaf Tobacco Co.	Hsinking	Dec. 15	10,000	Control over sales of leaf tobacco
Manchuria Cereals Co. ...	Hsinking	Dec. 21	10,000	Regulations of demand-supply relation in rice, etc.
1939				
Manchuria Ammonium Sulphate Industrial Co. ...	Hsinking	Feb. 9	50,000	Manufacture and sale of ammonium sulphate
*Manchuria Daily Necessities Distribution Co. ...	Hsinking	Feb. 23	10,000	Distribution of daily necessities

Note: 1. Those listed above are given in the order of their establishment and for this reason, both of those which were re-organized and

those which were created through re-organization are included in the list.

2. The Fengtien Industrial Land Company was dissolved in 1937 and the land under its management was taken over by the Fengtien Municipal Office.
3. Those marked "*" are quasi-special companies.
4. The figures for capital represent the authorized capital at the beginning of the establishment concerned.
5. Although not included in the foregoing list, the Showa Steel Works, established on July 4, 1929, is also included in the category of quasi-special companies.

Growth in Capital of Special Companies. There were only three special companies or quasi-special companies and their authorized capital totalled ¥35,850,000 (¥11,400,000 paid-up) at the end of 1932, the first year of the foundation of Manchoukuo. In a matter of seven years, the figures increased to 42 companies and upwards of ¥1,690,000,000 in authorized capital with ¥1,189,000,000 paid-up. A brief review of the remarkable growth is given below:

In June, 1932, the Central Bank of Manchou was established with an authorized capital of ¥30,000,000 of which ¥7,500,000 was paid-up. During the same year, the Manchuria Air Transport Company and the Fengtien (Mukden) Arsenal were brought into existence one after the other, thus increasing the number of special or quasi-special companies to three and the amount of total authorized capital to ¥35,850,000 (¥13,350,000 paid-up). The following year witnessed the founding of the Manchuria Telegraph and Telephone Company. This brought the amount of total authorized capital to ¥85,850,000 and that of paid-up capital to ¥50,200,000.

Seven companies were founded during 1934, viz. the Manchuria Petroleum, Automobile Industrial, Manchuria Raw Cotton, Manchuria Coal Mining, Manchuria Gauge, Manchuria Gold Mining and Manchuria Electric Industrial companies. The total authorized capital of these companies amounted to ¥132,700,000 with ¥50,200,000 paid-up. Thus, the total number of such organizations increased to 12 at the end of 1934 with total authorized capital amounting to upwards of ¥218,000,000 and paid-up capital to ¥165,000,000.

In 1935, the Fengtien (Mukden) Industrial, Manchuria Min-

ing Promotion and Manchuria Gunpowder Sales companies were established and the Penhsihu Coal and Iron Company was re-organized to be included in the category of special and quasi-special companies. These four organizations at the time had total authorized capital amounting to ¥18,000,000 with ¥16,000,000 paid-up. In the same year, the Dowa Automobile, Manchuria Petroleum and Manchuria Gold Mining companies all collected the second instalment payments on their shares. As the result, the paid-up capital of the 15 companies at the end of 1935 totalled ¥189,000,000 against upwards of ¥236,000,000 for the total authorized capital. Mention must be made here of the existence then of the Showa Steel Works which was capitalized at ¥100,000,000 with ¥82,000,000 paid-up. Like the Penhsihu Coal and Iron Company, the Showa Steel Works was founded prior to the emergence of Manchoukuo and formed the nucleus together with the said company for the exploitation of the iron resources in Manchuria. Simultaneously with the re-organization of the Penhsihu company, the steel works came to be treated like a quasi-special firm.

The number of companies of this category which were brought into existence during 1936 was 13 including two quasi-special companies re-organized into special ones. Their total authorized capital amounted to ¥128,000,000 with ¥66,500,000 paid-up. In the same year, the Fengtien (Mukden) Industrial Land and Manchuria Air Transport companies both more than doubled their capital. The Manchuria Petroleum Company, too, doubled its capital while the Manchuria Telegraph and Telephone Company collected the second instalment payments on its stocks excluding those held by the Government. Thus, the actual payments on stocks during the year reached ¥83,000,000. When the reform of the Fengtien (Mukden) Arsenal and the Manchuria Gauge Company is also taken into account, the number of special and quasi-special companies at the end of 1936 reached 27, compared with 16 as recorded at the end of the preceding year. The authorized capital and paid-up capital of the companies also increased by ¥137,000,000 and ¥80,000,000 respectively.

The year 1937 was the first year of the so-called five-year industrial program and for this very reason witnessed a striking advance of capital in the special and quasi-special companies because

of their importance in the execution of the program. Ten new companies of the kind were established in the year, of which four were capitalized at ¥50,000,000 each. It must be noted here that the Manchuria Industrial Development Company was founded at the end of the same year. The Manchuria Coal Mining Company headed the list of companies which expanded their capital during the year, increasing its capital by five times or ¥80,000,000. Others included the Manchuria Electric Industrial Company, the Manchuria Air Transport Company and the Manchuria Press Association, the first named increasing its capital by ¥70,000,000 to ¥160,000,000. Further, the Manchuria Gold Mining, Manchuria Light Metal Manufacturing and Manchuria Salt Industrial companies as well as the Showa Steel Works all collected payments on their stocks. The result was that the paid-up capital for that year totalled as much as ¥334,000,000 which is comparable to the total paid-up capital of the companies operating at the end of 1936. On the other hand, the Manchuria Colonization Company was re-organized and the Fengtien (Mukden) Industrial Land Company was dissolved for administrative reasons which required the land under its management to be taken over by the Mukden Municipality.

The total number of the special and quasi-special companies operating at the end of 1937 was 35 and their authorized and paid-up capital totalled ¥1,045,000,000 and ¥667,500,000 respectively, both about doubling similar figures for the preceding year. Even excluding the Manchuria Industrial Development Company, the net increase in the paid-up capital for the year amounted to ¥118,000,000.

The conditions prevailing during 1938 were under the influence of the situation brought about by the outbreak of the China Incident. The five-year industrial program was revised with the result that various special and quasi-special companies were required either to call for payments on their stocks or increase their capital in order to expand their activities. The Manchuria Mining Promotion Company increased its capital by 10 times; the Manchuria Forestry Company, by 6 times; the Manchuria Raw Cotton Company, by 5 times; the Manchuria Stock-raising Company, by 3 times; and the Manchuria Industrial Development Company, by 2 times to ¥450,000,000. Among others which

effected a capital increase were the Manchuria Petroleum, Manchuria Light Metal Manufacturing and Manchuria Air Transport Company and the Showa Steel Works. The increased stocks amounted to ¥448,000,000 and the new paid-up capital totalled ¥356,000,000 including the final payments on old stocks.

Then companies collected payments on their stocks during the same year. Outstanding among them were the Manchuria Coal Mining Company which collected payments in two sections totalling ¥48,000,000, and the Yalu Hydroelectric Company of Manchuria and the Yalu Hydroelectric Company of Korea, which collected ¥12,500,000 each. The number of companies newly established during the year was 8 and their authorized and paid-up capital totalled ¥200,000,000 and ¥82,700,000 respectively.

Thus, the paid-up capital for the year 1938 reached the prodigious figure of ¥522,600,000, representing an increase of ¥188,600,000 over the figure for the preceding year which was ¥334,000,000. Compared with the figures for the end of the preceding year, there were an increase of 7 companies and an increase of ¥646,000,000 in authorized capital and ¥521,000,000 in paid-up capital at the end of 1938. At the time, there were 42 special and quasi-special companies all told, with total authorized capital amounting to ¥1,691,000,000, of which ¥1,189,000,000 was paid-up. Following is a list showing some details of the remarkable advance in capital which the special and quasi-special companies achieved on the strength of the five-year industrial program which started in 1938:

	At End of 1936	At End of 1938
Special companies		
Number of companies	19	30
Authorized capital	¥239,300,000	¥1,169,000,000
Paid-up capital	¥144,325,000	¥ 868,950,000
Average capital	¥ 12,595,000	¥ 38,977,000
Quasi-special companies		
Number of companies	8	12
Authorized capital	¥234,000,000	¥ 521,270,000
Paid-up capital	¥521,270,000	¥ 319,920,000
Average capital	¥ 29,250,000	¥ 43,439,000
Total		
Number of companies	27	42
Authorized capital	¥473,300,000	¥1,691,270,000
Paid-up capital	¥351,075,000	¥1,188,870,000
Average capital	¥ 17,530,000	¥ 40,268,000

Special Companies and Five-year Industrial Program. The five-year industrial program formed the concrete index of the second-stage economic construction of Manchoukuo and at the same time showed the course for special companies to follow. All special companies are not directly connected with the five-year industrial program inasmuch as some of them have for their aim the development of key industries which are of special importance from the standpoint of national defence while others are charged with the task of establishing basic industries which have important bearings upon the national economy and still others are closely related to both the national defence and national economy. When the national defence is considered in a broad sense, however, it may be said that all special companies are, directly or indirectly, connected with the five-year industrial program. Particularly, the special companies which take charge of the mining and manufacturing departments of industry are required to function in a positive manner. The activities of the companies related to the two departments are shown in the following table:

1. Enterprises for exploitation of mineral resources:
 - a. General—Manchuria Mining Promotion Company;
 - b. Iron —Showa Steel Works, Penhsihu Coal and Iron Company and Tungpientao Development Company;
 - c. Coal —Manchuria Coal Mining Company, Penhsihu Coal and Iron Company; Tungpientao Development Company and Fushun Colliery (managed by the South Manchuria Railway Company);
 - d. Gold —Manchuria Coal Mining Company and Manchuria Mines Company;
 - e. Non-ferrous metal—Manchuria Mines Company;
 - f. Light metal—Manchuria Light Metal Manufacturing Company;
 - g. Petroleum—Manchuria Petroleum Company.
2. Manufacturing enterprises:
 - a. Electricity—Manchuria Electricity Industrial Company, Yalu Hydroelectric Company of Manchuria and Hydroelectric Construction Bureau (under state management);
 - b. Liquid fuel—Manchuria Synthetic Fuel Company, Manchuria Liquefaction Industrial Company, Fushun Oil Factory (managed by S.M.R.) and Fushun Fuel Factory (also managed by S.M.R.);
 - c. Automobile—Dowa (or Tunghe) Automobile Company;
 - d. Aeroplane —Manchuria Aeroplane Company;
 - e. Arms and ammunition—Fengtien (Mukden) Arsenal;

- f. Electro-chemistry—Manchuria Electro-chemical Industrial Company;
- g. Soda industry—Manchuria Soda Company.

The outbreak of the China Incident gave rise to a necessity for effecting a sweeping revision of the program in May, 1938, on the basis of the principle of Japan and Manchoukuo working as a single unit and also from the standpoint of establishing a Japan-Manchoukuo-China bloc. The production as provided for in the original program was increased by from two to three times through the revision and particularly worthy of note is the fact that the enthusiasm of the financial circles, both in Manchoukuo and Japan, for the execution of the program increased greatly after the revision. The major points of the revision concerning the mining and manufacturing departments of industry will be given below for reference:

1. Production goal:
 - a. Pig iron 4,650,000 metric tons
 - b. Steel ingots 4,000,000 " "
 - c. Steel billets 2,200,000 " "
 - d. Steel materials 1,850,000 " "
 - e. Ore-mining 12,000,000 " "

(The above is to be in charge of the Showa Steel Works, the Penhsihu Coal and Iron Company and the Tungpientao Development Company).
- f. Coal 32,000,000 metric tons
(To be in charge of the South Manchuria Railway Company, the Manchuria Coal Mining Company and the Penhsihu Coal and Iron Company).
- g. Liquid fuel 1,700,000 metric tons
(To be in charge of the Fushun Fuel Factory of S.M.R., the Manchuria Synthetic Fuel Company and the Manchuria Liquefaction Industrial Company).
- h. Oil-shale 700,000 metric tons
(To be in charge of the Fushun Oilshale Factory of the S.M.R., etc.)
- i. Gold ¥300,000,000 (including alluvial gold)
- j. Electric power 2,500,000 kilowatts
(To be in charge of the Fuhsin, Fushun, Dairen, Anshan, Penhsihu and other leading heat-engine plants and the Yalu and Sungari water power stations).

The cost of revising the five-year industrial program was first fixed at ¥3,800,000,000 but later increased to upwards of ¥5,000,000,000.

Special Companies and Planning Commission. The sweeping revision of the five-year program and the enhancement of the production goal inevitably necessitated a re-examination of the governmental controlling organ. In other words, the situation developed in such a manner that mere government orders and instructions could not be expected to produce satisfactory results and that the smooth execution of the program required harmony and cooperation between the Government and civilian circles. To meet this requirement, a Planning Commission was organized in the middle of July, 1938, with government officials leaders of special companies and persons of learning or experience, which was called upon to function as a sort of "brain trust" of the Government in regard to the industrial program.

The Planning Commission is composed of an Industrial Development Committee, a Foreign Exchange Committee, a Commodity and Price Committee, a Banking and Trade Committee, a Labour Committee, and a Colonization Committee. The Commodity and Price Committee has five sub-committees while the Banking and Trade Committee has two sub-committees and the Labour Committee has two sub-committees. This machinery is placed under the control of the prime minister and the post of its chairman is to be filled by the director of the general affairs board of the State Council. The function of the machinery is to conduct necessary investigation, formulate plans and deliberate on important matters relative to the industrial development of the country.

Table 13. PRINCIPAL COMPANIES IN MANCHURIA
(1939)

Agriculture:	Established	Capital		No. of shares (1,000)	Principal Investors		
		Authorized (¥1,000)	Paid-up (¥1,000)		Names	Shares (1,000)	
Dairen Agricultural	1929	10,000	5,000	200	S.M.R.	200	
*Manchuria Cotton	1934	10,000	4,500	200	{ Manchoukuo Gov. { Noji Gassakusha	{ 180 { 20	
*Manchuria Forestry	1936	30,000	22,500	600	{ Manchoukuo Gov. { S.M.R.	{ 350 { 100	
Manshu Shinwa Mokuzai (Timber)	1937	2,000	1,000	40	{ Oriental Develop. { N. Nakamura	{ 100 { 30	
†Manchuria Livestock	1937	15,000	15,000	300	{ Manchoukuo Gov. { Manshu Develop.	{ 165 { 99	
†Manshu Kisan (Pongee)	1939	5,000	1,250	100	{ Manchoukuo Gov. { Noji Gassakusha	{ 50 { 20	
Mining:							
*Manchuria Colliery	1934	300,000	257,500	6,000	{ Manchuria Ind. Develop. { Manchoukuo Gov.	{ 5,800 { 200	
*Manchuria Gold Mining	1934	60,000	50,000	1,200	{ Manchoukuo Gov.	1,200	
Tempozan Mining	1937	7,000	7,000	140	S. Manchuria Taiko	139	
Manshu Lead Mining	1935	4,000	4,000	80	{ Manchuria Mining { Nichinan Mining	{ 40 { 40	
*Manchuria Mining Develop.	1935	50,000	27,500	1,000	{ Manchoukuo Gov. { S.M.R.	{ 950 { 50	
†Penhsihu Iron & Colliery	1910	100,000	100,000	2,000	{ Manchuria Ind. Develop. { Okura Concern { Manchoukuo Government	{ 800 { 800 { 400	
†Kyowa Iron Mining	1939	10,000	10,000	200	{ Manchuria Ind. Develop. { Manchoukuo Gov.	{ 80 { 40	

(Continued)	Estab- lished	Capital		No. of shares (1,000)	Principal Investors	
		Authorized (¥1,000)	Paid-up (¥1,000)		Names	Shares (1,000)
†Toa Iron Mining	1937	5,000	2,000	100	{ Mitsui Mining	88
					{ Manchoukuo Gov.	8
					{ Y. Uyeshima	4
†Manchuria Mining	1938	100,000	70,000	2,000	Manchuria Ind. Develop. ...	2,000
†Tokendo Develop.	1938	75,000	75,000	1,500	{ Manchuria Ind. Develop. ...	1,280
					{ Manchuria Colliery	200
Manufacturing Ind.:						
Manchu-Mongol Wool	1918	20,000	12,500	400	{ Oriental Develop.	174
					{ S.M.R.	3
Manchu Cotton Spinning	1923	5,000	3,750	100	{ Fuji Gas Spinning	47
					{ S.M.R.	22
Manchu Hemp	1917	5,000	2,375	100	{ T. Inoue	19
					{ Hiyoshi Co.	8
					{ Teikoku Hemp	6
Yingkow Weaving	1933	8,000	8,000	320	Chosen Weaving	184
†Mukden Spin. & Weav.	1936	4,500	4,171	45	{ Manchoukuo Gov.	22
					{ Central Bank of Manchou ..	3
*Showa Steel Works	1929	200,000	200,000	4,000	Manchuria Ind. Develop. ...	3,100
Manchu Sumitomo Steel Tube ..	1934	10,000	10,000	200	{ S.M.R.	900
Anshan Steel Materials	1934	5,000	3,000	100	Sumitomo Concern	200
Nichi-Man Steel Tube	1935	5,000	1,250	100	{ Tekko Shoken	7
					{ Japan Rail	6
Manchu Casting	1936	5,000	5,000	100	{ Japan Steel Tube	93
					{ Anshan Steel Material	5
Manchu Light Metal Mfg.	1936	80,000	65,000	1,300	Kobe Steel Works	100
					{ Manchuria Ind. Develop. ...	1,574
					{ Sumitomo Concern	10

(Continued)	Estab- lished	Capital		No. of shares (1,000)	Principal Investors	
		Authorized (¥1,000)	Paid-up (¥1,000)		Names	Shares (1,000)
*Dowa Automobile	1934	30,000	18,100	600	{ Manchuria Ind. Develop. ...	508
					{ Tokyo Automobile	21
					{ Mitsubishi Heavy Ind.	45
*Manchu Automobile Mfg.	1939	100,000	25,000	2,000	{ Kawasaki Loco. & Car.	9
*Manchu Aircraft Mfg.	1938	20,000	20,000	400	Nippon Sharyo	9
Fushun Cement	1934	5,000	5,000	100	Manchuria Ind. Develop. ...	2,000
					Manchuria Ind. Develop. ...	400
					S.M.R.	50
Manchu Kosho (Machinery)	1934	20,000	8,600	400	{ F. Nemoto	10
					{ Osakaya Shoten	8
					{ Nippon Life Ins.	7
Manchu Kiki (Machinery)	1935	10,000	6,500	200	{ Nomura Gomei	6
					{ T. Ito	47
					{ Y. Terayama	30
*Mukden Arsenal	1936	25,000	14,800	500	{ Manchoukuo Gov.	400
					{ Mitsui Bussan	50
					{ Okura Shoji	50
*Kirin Artificial Oil	1939	100,000	20,000	2,000	{ Manchoukuo Gov.	1,000
					{ Japan Nitrogen	300
†Manchu Magnesium	1928	10,000	7,500	200	Teikoku Fuel	200
*Manchu Keiki (Gauge & Meter)	1936	8,000	4,000	160	Manchu Light Metal	200
Dairen Kikai (Machinery)	1918	30,000	13,000	600	Manchoukuo Gov.	130
Daido Cement	1933	3,000	3,000	100	{ Shinwa Shokai	82
					{ Nippon Sharyo	41
Manchu Onoda Cement	1935	5,000	2,500	100	{ Y. Aioi	37
					{ Asano Cement	100
					{ Onoda Cement	51
					{ Mitsui Bussan	20

(Continued)	Established	Capital		No. of shares (1,000)	Principal Investors	
		Authorized (¥1,000)	Paid-up (¥1,000)		Names	Shares (1,000)
†Manchu Kyodo Cement	1938	1,300	325	20	Mitsui Mitsubishi Okura Asano Onoda Cement Harbin Cement Manshu Cement S.M.R. Manchuria Colliery Showa Steel Works Manchoukuo Gov. Manchuria Elec. Manchoukuo Gov. Union of All-Japan Purchasing Guilds	1.3 1.3 1.3 1.3 2.6 1.3 1.3 259 200 35 400 200 500 100
†Manshu Chem. Ind.	1933	25,000	25,000	500	Manchoukuo Gov. Kobe Steel Works Oriental Develop. Hsu Feng-shih Manchoukuo Gov. Ind. Bank of Manchou S.M.R. Japan Oil & Fat S.M.R. Asahi Glass S.M.R. Manshu Kagaku Kogyo Shoko Glass Nichinan Fibre Ind. Manchoukuo Gov. S.M.R. Ind. Bank of Manchou	78 34 16 16 140 64 50 57 35 56 40 40 24 140 20 20 20
*Manshu Elec. Chem. Ind.	1938	30,000	7,500	600	Manchoukuo Gov. Manchuria Elec. Manchoukuo Gov.	16 16 140
*Manshu Ryuan (Sulp. of Ammonia)	1939	50,000	12,500	1,000	Manchoukuo Gov. Union of All-Japan Purchasing Guilds	100
†Sekitan Ekika Kenkyusho (Coal Liquefaction Lab.)	1939	6,000	6,000	120	Manchoukuo Gov. Kobe Steel Works Oriental Develop. Hsu Feng-shih Manchoukuo Gov. Ind. Bank of Manchou S.M.R. Japan Oil & Fat S.M.R. Asahi Glass S.M.R. Manshu Kagaku Kogyo Shoko Glass Nichinan Fibre Ind. Manchoukuo Gov. S.M.R. Ind. Bank of Manchou	78 34 16 16 140 64 50 57 35 56 40 40 24 140 20 20 20
†Daido Alcohol	1932	1,670	1,670	33	Manchoukuo Gov. Kobe Steel Works Oriental Develop. Hsu Feng-shih Manchoukuo Gov. Ind. Bank of Manchou S.M.R. Japan Oil & Fat S.M.R. Asahi Glass S.M.R. Manshu Kagaku Kogyo Shoko Glass Nichinan Fibre Ind. Manchoukuo Gov. S.M.R. Ind. Bank of Manchou	78 34 16 16 140 64 50 57 35 56 40 40 24 140 20 20 20
*Manshu Sekiyu (Petroleum)	1934	20,000	20,000	400	Manchoukuo Gov. Kobe Steel Works Oriental Develop. Hsu Feng-shih Manchoukuo Gov. Ind. Bank of Manchou S.M.R. Japan Oil & Fat S.M.R. Asahi Glass S.M.R. Manshu Kagaku Kogyo Shoko Glass Nichinan Fibre Ind. Manchoukuo Gov. S.M.R. Ind. Bank of Manchou	78 34 16 16 140 64 50 57 35 56 40 40 24 140 20 20 20
Manshu Daizu (Soya Bean)	1935	5,000	4,525	100	Manchoukuo Gov. Kobe Steel Works Oriental Develop. Hsu Feng-shih Manchoukuo Gov. Ind. Bank of Manchou S.M.R. Japan Oil & Fat S.M.R. Asahi Glass S.M.R. Manshu Kagaku Kogyo Shoko Glass Nichinan Fibre Ind. Manchoukuo Gov. S.M.R. Ind. Bank of Manchou	78 34 16 16 140 64 50 57 35 56 40 40 24 140 20 20 20
†Manshu Soda	1936	8,000	8,000	160	Manchoukuo Gov. Kobe Steel Works Oriental Develop. Hsu Feng-shih Manchoukuo Gov. Ind. Bank of Manchou S.M.R. Japan Oil & Fat S.M.R. Asahi Glass S.M.R. Manshu Kagaku Kogyo Shoko Glass Nichinan Fibre Ind. Manchoukuo Gov. S.M.R. Ind. Bank of Manchou	78 34 16 16 140 64 50 57 35 56 40 40 24 140 20 20 20
†Manshu Tokan Pulp (Bean Pulp)	1937	10,000	5,000	200	Manchoukuo Gov. Kobe Steel Works Oriental Develop. Hsu Feng-shih Manchoukuo Gov. Ind. Bank of Manchou S.M.R. Japan Oil & Fat S.M.R. Asahi Glass S.M.R. Manshu Kagaku Kogyo Shoko Glass Nichinan Fibre Ind. Manchoukuo Gov. S.M.R. Ind. Bank of Manchou	78 34 16 16 140 64 50 57 35 56 40 40 24 140 20 20 20

(Continued)	Established	Capital		No. of shares (1,000)	Principal Investors	
		Authorized (¥1,000)	Paid-up (¥1,000)		Names	Shares (1,000)
Manshu Pulp	1936	10,000	5,000	200	Mitsubishi Paper G. Terada Oji Paper Manchoukuo Gov. Mitsui Manchuria Colliery Manshu Sekiyu Teikoku Nenryo Kogyo Manchoukuo Gov. Ind. Bank of Manchou Manchuria Colliery Manshu Sekiyu Oriental Develop. Japan Sugar Mitsui Bussan Mitsubishi Shoji Taiwan Sugar Dainippon Sugar Meiji Sugar Ensuiko Sugar Dainippon Salt Ind. Manchoukuo Gov. S.M.R. Asahi Glass Tokuyama Soda S.M.R. Ind. Bank of Manchou Manchoukuo Gov. Oriental Develop. Choshinko Hydro Chosen Soden	80 15 15 340 340 60 60 200 200 100 100 100 29 12 12 11 27 24 24 24 32 25 20 6 6 826 844 531 500 200 200
*Manshu Synthetic Fuel	1937	50,000	20,000	1,000	Mitsubishi Paper G. Terada Oji Paper Manchoukuo Gov. Mitsui Manchuria Colliery Manshu Sekiyu Teikoku Nenryo Kogyo Manchoukuo Gov. Ind. Bank of Manchou Manchuria Colliery Manshu Sekiyu Oriental Develop. Japan Sugar Mitsui Bussan Mitsubishi Shoji Taiwan Sugar Dainippon Sugar Meiji Sugar Ensuiko Sugar Dainippon Salt Ind. Manchoukuo Gov. S.M.R. Asahi Glass Tokuyama Soda S.M.R. Ind. Bank of Manchou Manchoukuo Gov. Oriental Develop. Choshinko Hydro Chosen Soden	80 15 15 340 340 60 60 200 200 100 100 100 29 12 12 11 27 24 24 24 32 25 20 6 6 826 844 531 500 200 200
*Manshu Liquefaction	1938	20,000	7,500	400	Mitsubishi Paper G. Terada Oji Paper Manchoukuo Gov. Mitsui Manchuria Colliery Manshu Sekiyu Teikoku Nenryo Kogyo Manchoukuo Gov. Ind. Bank of Manchou Manchuria Colliery Manshu Sekiyu Oriental Develop. Japan Sugar Mitsui Bussan Mitsubishi Shoji Taiwan Sugar Dainippon Sugar Meiji Sugar Ensuiko Sugar Dainippon Salt Ind. Manchoukuo Gov. S.M.R. Asahi Glass Tokuyama Soda S.M.R. Ind. Bank of Manchou Manchoukuo Gov. Oriental Develop. Choshinko Hydro Chosen Soden	80 15 15 340 340 60 60 200 200 100 100 100 29 12 12 11 27 24 24 24 32 25 20 6 6 826 844 531 500 200 200
Nichinan Flour	1934	10,000	6,000	200	Mitsubishi Paper G. Terada Oji Paper Manchoukuo Gov. Mitsui Manchuria Colliery Manshu Sekiyu Teikoku Nenryo Kogyo Manchoukuo Gov. Ind. Bank of Manchou Manchuria Colliery Manshu Sekiyu Oriental Develop. Japan Sugar Mitsui Bussan Mitsubishi Shoji Taiwan Sugar Dainippon Sugar Meiji Sugar Ensuiko Sugar Dainippon Salt Ind. Manchoukuo Gov. S.M.R. Asahi Glass Tokuyama Soda S.M.R. Ind. Bank of Manchou Manchoukuo Gov. Oriental Develop. Choshinko Hydro Chosen Soden	80 15 15 340 340 60 60 200 200 100 100 100 29 12 12 11 27 24 24 24 32 25 20 6 6 826 844 531 500 200 200
Manshu Sugar	1935	10,000	2,500	200	Mitsubishi Paper G. Terada Oji Paper Manchoukuo Gov. Mitsui Manchuria Colliery Manshu Sekiyu Teikoku Nenryo Kogyo Manchoukuo Gov. Ind. Bank of Manchou Manchuria Colliery Manshu Sekiyu Oriental Develop. Japan Sugar Mitsui Bussan Mitsubishi Shoji Taiwan Sugar Dainippon Sugar Meiji Sugar Ensuiko Sugar Dainippon Salt Ind. Manchoukuo Gov. S.M.R. Asahi Glass Tokuyama Soda S.M.R. Ind. Bank of Manchou Manchoukuo Gov. Oriental Develop. Choshinko Hydro Chosen Soden	80 15 15 340 340 60 60 200 200 100 100 100 29 12 12 11 27 24 24 24 32 25 20 6 6 826 844 531 500 200 200
*Manshu Salt Ind.	1936	15,000	8,750	300	Mitsubishi Paper G. Terada Oji Paper Manchoukuo Gov. Mitsui Manchuria Colliery Manshu Sekiyu Teikoku Nenryo Kogyo Manchoukuo Gov. Ind. Bank of Manchou Manchuria Colliery Manshu Sekiyu Oriental Develop. Japan Sugar Mitsui Bussan Mitsubishi Shoji Taiwan Sugar Dainippon Sugar Meiji Sugar Ensuiko Sugar Dainippon Salt Ind. Manchoukuo Gov. S.M.R. Asahi Glass Tokuyama Soda S.M.R. Ind. Bank of Manchou Manchoukuo Gov. Oriental Develop. Choshinko Hydro Chosen Soden	80 15 15 340 340 60 60 200 200 100 100 100 29 12 12 11 27 24 24 24 32 25 20 6 6 826 844 531 500 200 200
†Manchuria Electric	1934	160,000	155,000	3,200	Mitsubishi Paper G. Terada Oji Paper Manchoukuo Gov. Mitsui Manchuria Colliery Manshu Sekiyu Teikoku Nenryo Kogyo Manchoukuo Gov. Ind. Bank of Manchou Manchuria Colliery Manshu Sekiyu Oriental Develop. Japan Sugar Mitsui Bussan Mitsubishi Shoji Taiwan Sugar Dainippon Sugar Meiji Sugar Ensuiko Sugar Dainippon Salt Ind. Manchoukuo Gov. S.M.R. Asahi Glass Tokuyama Soda S.M.R. Ind. Bank of Manchou Manchoukuo Gov. Oriental Develop. Choshinko Hydro Chosen Soden	80 15 15 340 340 60 60 200 200 100 100 100 29 12 12 11 27 24 24 24 32 25 20 6 6 826 844 531 500 200 200
*Manshu Oryokko Hydro Electric	1937	50,000	37,500	1,000	Mitsubishi Paper G. Terada Oji Paper Manchoukuo Gov. Mitsui Manchuria Colliery Manshu Sekiyu Teikoku Nenryo Kogyo Manchoukuo Gov. Ind. Bank of Manchou Manchuria Colliery Manshu Sekiyu Oriental Develop. Japan Sugar Mitsui Bussan Mitsubishi Shoji Taiwan Sugar Dainippon Sugar Meiji Sugar Ensuiko Sugar Dainippon Salt Ind. Manchoukuo Gov. S.M.R. Asahi Glass Tokuyama Soda S.M.R. Ind. Bank of Manchou Manchoukuo Gov. Oriental Develop. Choshinko Hydro Chosen Soden	80 15 15 340 340 60 60 200 200 100 100 100 29 12 12 11 27 24 24 24 32 25 20 6 6 826 844 531 500 200 200

	Established	Capital		No. of shares (1,000)	Principal Investors	
		Authorized (¥1,000)	Paid-up (¥1,000)		Names	Shares (1,000)
S. Manchuria Gas	1925	10,000	10,000	200	S.M.R.	100
Manchou Tobacco	1934	12,000	4,800	240	T. Hasegawa	103
Manshu Tea Tobacco	1937	25,000	25,000	500	Toa Tobacco	500
Manshu Leaf Tobacco	1938	10,000	2,500	200	Manchoukuo Gov. Noji Gasakusha Toa Tobacco	22 22 22
Traffic, Transportation & Communication:						
*South Manchuria Ry. Co.	1906	800,000	736,208	16,000	Japanese Gov. Bank of Chosen Yasuda Bank	8,000 241 170
Dairen Toshi Kotsu	1926	5,000	5,000	100	S.M.R.	100
Dairen S.S.	1915	25,700	14,450	514	S.M.R.	514
†Taian S.S.	1934	350	350	7	Manchoukuo Gov.	7
Nichiman Warehouse	1929	15,000	14,500	300	S.M.R.	300
†Manshu Aeronautical	1932	30,000	17,977	600	Manchoukuo Gov. S.M.R. Sumitomo Mitsui Mitsubishi	42 51 4 4 4
Kokusai Unyu	1926	5,000	3,400	100	S.M.R.	100
*Manchuria Tel. & Teg.	1933	50,000	43,125	1,000	Japanese Gov. Manchoukuo Gov. S.M.R.	330 120 70
Development:						
†Mansen Takushoku	1936	15,000	7,500	300	Senman Takushoku	300
*Manshu Develop.	1937	50,000	50,000	1,000	Manchoukuo Gov. Japanese Gov. S.M.R.	300 300 200
Toa Civil Engrg.	1920	5,000	1,250	100	S.M.R.	50

(Continued)

	Established	Capital		No. of shares (1,000)	Principal Investors	
		Authorized (¥1,000)	Paid-up (¥1,000)		Names	Shares (1,000)
Real Estate:						
Manshu Immovable Property	1937	10,000	3,000	200	S.M.R.	200
*Manshu Bosan (Architecture)	1938	30,000	15,000	600	Manchoukuo Gov. Oriental Develop. Ind. Bank of Manchou	200 200 200
Kotoku Immovable Property	1937	5,000	1,250	100	Tokyo Tatemono	100
†Manshu Toshi Kaihatsu	1939	20,000	5,000	400	Manchoukuo Gov.	400
Commerce:						
Manshu Imports	1935	5,000	5,000	100	S. Yamanaka	99
*Manshu Explosives Sales Co.	1935	500	500	10	S.M.R. Penhsihu Iron & Colliery Manchuria Colliery Showa Steel Works Mukden Arsenal Manchoukuo Gov.	1 1 1 1 5
†Nichiman Trading	1936	30,000	10,000	600	S.M.R. Manchuria Colliery Manchoukuo Gov. Daichi Life Ins. Chiyoda Life Ins. Nihon Life Assurance Tokyo Marine & Fire Mitsubishi Marine & Fire Meiji Fire	360 240 30 5 5 19 7
*Manshu Life Ins.	1936	3,000	3,000	60	Manchoukuo Gov. Daichi Life Ins. Chiyoda Life Ins. Nihon Life Assurance Tokyo Marine & Fire Mitsubishi Marine & Fire Meiji Fire	5 5 5 5 19 7
Manshu Fire & Marine Ins.	1937	5,000	1,250	100	Taisho Marine & Fire Manchoukuo Gov.	7 7
†Manshu Necessaries Supply	1939	50,000	25,000	1,000	Manchoukuo Gov.	500
*Manshu Staple Produce Control	1939	30,000	15,000	600	Manchoukuo Gov.	600
*Manshu Cereals	1938	10,000	5,000	200	Manchoukuo Gov. Manshu Develop. Mansen Develop.	130 50 20

(Continued)	Estab- lished	Capital		No. of shares (1,000)	Principal Investors	
		Authorized (¥1,000)	Paid-up (¥1,000)		Names	Shares (1,000)
*Manshu Cereal Flours Control ..	1940	10,000	5,000	200	Manchoukuo Gov.	200
Exchanges & Clearing:						
Dairen Exchange Trust	1913	12,000	4,125	240	Ind. Bank of Manchou	57
Dairen Stock & Commodity Ex. ..	1920	5,000	2,000	100	Ind. Bank of Manchou	6
Manshu Security Exchange	1919	1,000	250	20	{ J. Hirose	3
					{ T. Umagami	2
					{ M. Fukuhara	7
					{ T. Fukuma	4
Antung Exchange	1920	2,000	500	40	S.M.R.	10
Hsinking Gov. Exchange	1916	1,000	250	20	{ S.M.R.	5
Harbin Exchange	1933	2,000	1,200	40	{ Manchuria Life Ins.	2
Bourse:						
*Central Bank of Manchou	1932	30,000	15,000	300	Manchoukuo Gov.	300
*Industrial Bank of Manchou	1936	30,000	15,000	300	{ Manchoukuo Gov.	150
					{ Bank of Chosen	150
Tahsin Kungssu	1933	20,000	13,000	400	Central Bank of M.	400
Others:						
*Manchuria Public Information Assn.	1936	5,000	4,000	100	{ Manchoukuo Gov.	31
					{ S.M.R.	23
					{ Manchoukuo Gov.	126
					{ Tokyo Book	9
					{ Nippon Book	9
Manshu Toshu (Books)	1937	8,000	5,000	160		
Manshu Shoseki Haikyu (Books Supply)	1939	2,000	1,000	40	Manshu Toshu	40

(Continued)	Estab- lished	Capital		No. of shares (1,000)	Principal Investors	
		Authorized (¥1,000)	Paid-up (¥1,000)		Names	Shares (1,000)
Manshu Tokushu Seishi (Spec. Paper Mfg.)	1936	2,500	2,500	50	{ Manchoukuo Gov.	30
					{ S.M.R.	15
Manshu Jijo Annaisho (Infor- mation)	1939	500	500	10	Manchoukuo Gov.	10
*Manshu Eiga (Movie) Assn.	1937	5,000	2,000	100	{ Manchoukuo Gov.	50
					{ S.M.R.	50
Daido Sangyo	1920	10,000	5,000	200	{ S. Kawamoto	10
					{ Manchoukuo Gov.	45
					{ Nissan	45
*Manchuria Ind. Develop. Co.	1937	450,000	396,750	900	{ Manchoukuo Gov.	450
					{ Nissan	450

Note: * Represents Special Concerns.
† " " Semi-special Concerns.

Japanese Investments in Manchoukuo

According to data compiled by the Manchurian Affairs Board, Japanese investments in Manchoukuo in 1939 amounted to ¥1,103,713,000, an increase of ¥664,232,000 over the 1938 figure which was a record high until that time. The 1939 figure represented a 250% expansion from 1938 and is about 35% of the cumulative total since 1932 which amounts to ¥3,053,183,000. Inclusive of investments outstanding immediately before the start of the Manchurian Incident in 1931, estimated by the Economic Department of the Hsinking Government at ¥819,937,000, Japan's investments at the end of 1939 stood at ¥3,873,120,000.

There were increases throughout the list of investment items, but the outstanding instances were the funded and unfunded debts of the leading corporations located in Manchoukuo all of which showed substantial net gains. These investment items swelled to the neighborhood of ¥500 million at the end of 1939 from ¥127,200,000 of the corresponding period of the previous year. Corporations figuring prominently in the capital absorption movement from Japan included leading concerns in the field of colliery, electric utility, steel making and development, showing that the empire's industrial expansion plans are now well under way. An important share of the capital movement was made through the South Manchuria Railway Company and its affiliates, while a number of non-State policy concerns made calls on their outstanding capital stocks. The Hsinking Government also issued bonds to finance its investment activity and hydro electric enterprises.

The above throws light on recent changes in the channels through which the economic system of Manchoukuo absorbs capital resources. Formerly there were four main sluice-ways for such a capital movement, viz., the Central Bank of Manchou, South Manchuria Railway, Industrial Bank of Manchou and a group of semi-Government corporations. All of these four absorbed capital funds through issuance of debenture obligations, but S.M.R.'s share was by far the most important. With the opening in real earnest of the Manchuria Industrial Development Corporation, however, the capital needs of various semi-Government concerns have assumed unprecedented proportions and with it the prestige of M.I.D.C. has increased as a provider of capital.

Because of clogged conditions during 1938 in the new issue capital market in Japan, bond financing was virtually at a standstill and the business and manufacturing companies in need of capital had to pay their way through temporary bank loans. Since early in 1939 the capital market has shown signs of revival and, as a series of debenture issues have been placed with success, Manchuria Industrial has come to play an important role as a source of new capital for Manchoukuo's enterprises.

Financial operations in the Japanese market on behalf of Manchoukuo corporations are virtually the monopoly of the Industrial Bank of Japan. In effecting remittance of the proceeds of bonded and other debts, however, the media at present are the Yokohama Specie Bank, the Bank of Chosen, and the Central Bank of Manchou. A movement is now afoot to discard this last mentioned system and to appoint the central bank as the sole agency for such transactions.

To form some idea of the size of the net volume of Japanese investments an estimate will have to be made of their repatriation to Japan. The task entails much difficulty as no reliable data are available to form the basis of such calculation. At a meeting of a Diet sub-committee deliberating on the budget bill on February 12, 1940, the Japanese Government stated in reply to an interpellation that such backflow from Manchoukuo was about ¥200 million in dividend payments and incorporate debt servicing, while another ¥100 million came home in net profits of private enterprises and remittance, or a total of ¥300 million represented repatriated Japanese capital from Manchoukuo in 1939. Deducting this ¥300 million from the investment of ¥1,100 million in 1939, the amount of ¥800 million then can be taken as Japan's net investments in the region. This figure, however, can hardly be taken as accurate, even if the backflow capital estimate is considered authentic, because the original investment figure does not take account of the investments and remittances of private proprietors of businesses in Manchoukuo.

The export surplus of Japan in trade with Manchoukuo and Kwantung Province in 1939 which, combined, approximately corresponds to Japan's net investments in these regions, was ¥959 million. This figure, plus the above ¥800 million in net investments, should be regarded as the 1939 total of investments and remittances

of private proprietors in the rough.

Table 14. DISPOSAL OF JAPANESE INVESTMENTS

(Prepared by Manchurian Affairs Board, Japan)

	S.M.R. Co. & affiliations		Manchoukuo Govt. affiliations		(¥1,000)	%
	(¥1,000)	%	(¥1,000)	%		
1932	65,000	69	32,203	33	97,203	100
1933	81,200	53	70,045	47	151,245	100
1934	188,000	69	83,675	31	271,675	100
1935	266,350	70	112,248	30	378,598	100
1936	191,705	73	71,294	27	262,995	100
1937	165,050	48	176,223	52	348,273	100
1938	77,544	18	353,437	82	439,481	100
1939	290,391	26	813,323	74	1,103,713	100
Total	1,325,240	43	1,712,448	57	3,053,183	100

Table 15. PRINCIPAL JAPANESE INVESTMENTS SINCE 1932

(Unit: ¥1,000)

	Call on subscription of S.M.R. Co. share	Net increase of S.M.R. debentures	Borrowing of S.M.R.	Opening of S.M.R. holding shares	Net increase of debentures, borrowings of Affiliated Cos. of S.M.R.	Capital paid up for newly created Cos.	Capital called up by Cos.	Manchoukuo National loan	Manchoukuo foundation loan	North Manchuria Rys. loan
1932	25,000	40,000	—	—	1,700	—	—	20,000	30,000	—
1933	61,000	20,200	—	—	30,450	—	—	—	—	—
1934	36,000	130,000	—	340	38,875	—	—	—	—	—
1935	36,000	135,000	75,000	17,205	31,750	—	—	—	—	—
1936	36,000	155,000	-75,000	—	27,050	—	—	—	—	—
1937	56,000	21,000	84,000	—	—	—	—	—	—	—
1938	20,000	115,000	{ -74,000 15,000	1,344	127,200	—	—	—	—	—
1939	40,000	210,000	{ -25,000 50,000	15,391	499,344	—	—	—	—	—
Total	310,000	826,200	50,000	34,280	756,369	—	—	—	—	—

	Manchoukuo Manchoukuo†					Total
	Borrowings for N. Manchuria Ry.	Special Enterprise loans	Special Enterprise	Hydro Electric Loans	Bond for financing industries	
1932	—	—	—	—	—	97,203
1933	—	—	—	—	—	151,245
1934	—	10,000	—	—	—	271,675
1935	15,400	—	—	—	—	378,598
1936	-15,400	—	—	—	—	262,995
1937	38,360	—	—	—	45,000	348,273
1938	-38,360	-600	100,000	—	—	439,481
1939	—	135,000	-100,000	50,000	—	1,103,713
Total	0	144,400	0	50,000	45,000	3,053,183

Table 16. NET INCREASE OF DEBENTURES AND BORROWINGS OF LEADING COMPANIES

(Unit: ¥1,000)

	South* Manchuria Electric Co.	Manchuria* Chemical Ind. Co.	dittot	Manchuria* Telegraph & Telephone Co.	Manchuria* Colliery Co.
	1933	—	—	—	—
1934	10,000	—	12,000	8,000	—
1935	—	—	—	7,000	10,000
1936	—	—	-6,250	—	—
1937	—	—	4,050	8,000	—
1938	—	10,000	-9,800	6,000	10,000
1939	—	—	—	6,000	30,000
Total	10,000	10,000	0	35,000	50,000

	Manchuria* Electric Co.	dittot	Showa Steel* Works.	Dittot
	1933	—	—	—
1934	—	—	—	—
1935	—	—	—	—
1936	5,000	—	10,000	—
1937	{ -5,000 10,000	—	18,000	—
1938	{ 20,000 -10,000	—	—	—
1939	{ 40,000 -30,000	40,000	70,000	{ 70,000 -70,000
Total	33,000	65,000	35,000	98,000

	Manchuria* Land Develop.	Manchuria* Ind.	dittot	Manchuria* Ind. Develop.	dittot
	1933	—	—	—	—
1934	—	—	—	—	—
1935	—	—	—	—	—

	Manchuria* Land Develop.	Manchuria* Ind.	ditto†	Manchuria* Ind. Develop.	ditto†
1936	—	—	—	—	—
1937	—	—	—	—	38,500
1938	30,000	10,000	—	—	122,000
1939	73,000	20,000	12,799	130,000	-102,000
Total	103,000	30,000	12,799	130,000	50,000

	ditto†	Penhsifu* Colliery & Iron works	ditto†	Others	Total
1933	—	—	—	1,700	1,700
1934	—	—	—	450	30,450
1935	—	—	—	1,875	38,875
1936	—	—	—	—	31,750
1937	—	—	—	—	27,050
1938	—	—	—	12,500	127,200
1939	27,135	25,000	{ 29,000 -25,000	16,410	499,344
Total	27,135	25,000	13,110	22,935	756,369

Note: * Debentures;
† Borrowings;
‡ Opened to public subscription

Foreign Investments

Foreign investments in Manchuria, other than Japanese, as in 1928 amounted to 553 million yen, according to the South Manchuria Railway Company. The investments are classified as follows:

Table 17. FOREIGN INVESTMENTS IN MANCHURIA BY COUNTRIES (1928)

	¥	%
U.S.S.R.	465,015,000	82.5
Great Britain	39,590,000	7.0
United States	26,400,000	6.5
France	21,086,000	3.8
Sweden	850,000	—
Denmark	157,000	—
Total	553,098,000	100.0

Manchuria Industrial Development Corporation

The objects of the Manchuria Industrial Development Corporation is to invest in and supervise the management of various companies established for the purpose of developing iron mining, light

metal, automobile manufacturing, aircraft manufacturing, coal mining, and other industries in Manchoukuo. The Corporation may also invest in gold, zinc, lead, copper and other mining industries in Manchuria as well as in various other domestic and foreign enterprises which were given approval by state ministers of those departments concerned. The Corporation may also act as a promoter for the establishment of various companies which aim at developing the aforementioned industries and may accommodate those companies with funds or guarantee their liabilities.

By merging or newly establishing various subsidiary companies, the Manchuria Industrial Development Corporation will undertake the exploitation of the three largest mineral resources, namely, iron, coal and light metal, as well as other mineral industries in Manchuria. It will manage the automobile and aircraft manufacturing industries and is entitled to promote any other industry with the approval of state ministers concerned.

The transference of the Nippon Industrial Company, with its widely ramified affiliations, to Manchoukuo and the formation of the Manchuria Industrial Development Corporation in December, 1937 may be explained by two main reasons.

In the first place, the economic ideology enforced up to that time in Manchuria had been found unsatisfactory. It was found necessary to adjust her industries more in line with the conditions in Japan in order to effect a smooth and logical cooperation between the two countries. Idealism had to be modified to fill the gap which would not have been so much of a handicap under ordinary circumstances.

In the second place, under the increasing pressure of productive expansion Manchoukuo had to turn to the development of internal resources and enterprises. Prior to the China Incident her main industries had been mostly dependent upon the industries of Japan. When the 5-year industrial expansion plan was launched it began to be seen that Manchoukuo's dependence upon Japan would have to be reduced.

The conditions imposed by the China conflict made an early decision in this matter imperative, and the exploitation and development of Manchoukuo's natural resources now emerged as an urgent issue. In order to accomplish it a coordinated plan had to be evolved. The policy hitherto followed of placing one major

industry under one company failed to make for the integration and coordination of various enterprises. The unwritten law of restricting profit dividends was also found objectionable. The consideration of an increase of material production had to be placed before ideals of managed economics. From this necessity the heavy industries of the country had to be transferred from an individualist to a composite system. Thus Manchoukuo is now neither to step ahead nor lag behind Japan in the prosecution of her industrial plan. The two have been brought into a harmonised combination.

A further advantage which will accrue as a result of the formation of the new concern is that by using the Nippon Industrial Company as its nucleus, the Manchuria Industrial Development Corporation would acquire the shareholders of the former company, which numbered as much as 54,574 in November, 1937, as well as its negotiable security holdings in its subsidiary companies. It will also receive the benefit of the experience and technique gained by the personnel of the Nippon Industrial Company and its subsidiaries during their many years of activity. The above-mentioned benefit becomes the more valuable when viewed from the fact that the subsidiary companies operated by the Nippon Industrial Company, are all of national importance and that many of them are quite similar to the heavy industries planned by the Manchoukuo Government.

Table 18. FINANCIAL CONDITION OF MANCHURIA INDUSTRIAL DEVELOPMENT CORPORATION

(In ¥1,000)

		Average paid up capital	Profit	Profit Rate (%)	Dividend Rate (%)
1933	..... 2nd half	65,083	5,910	18.2	10.0
1934	..... { 1st half	71,420	10,590	29.7	12.0
	..... { 2nd half	94,505	11,933	25.3	12.0
1935	..... { 1st half	99,415	6,747	13.6	12.0
	..... { 2nd half	112,671	7,606	13.5	10.0
1936	..... { 1st half	124,561	8,907	14.3	10.0
	..... { 2nd half	124,561	11,367	18.3	10.0
1937	..... { 1st half	119,955	8,107	13.5	10.0
	..... { 2nd half	196,349	10,955	11.2	12.0*
1938	..... { 1st half	291,535	14,019	9.6	(A) 5.0 (B) 10.0
	..... { 2nd half	396,750	17,883	9.0	(A) 5.0 (B) 10.0

(Continued)

		Average paid up capital	Profit	Profit Rate (%)	Dividend Rate (%)
1939	..... { 1st half	450,000	30,270	13.5	(A) 5.0 (B) 10.0
	..... { 2nd half	450,000	30,540	13.6	(A) 5.0 (B) 10.0
1940	..... 1st half	450,000	30,617	13.6	(A) 5.0 (B) 10.0

Note: * Inclusive of 2% special distribution.
(A) Dividend for Government.
(B) Dividend for Private Holders.

Agreement

The agreement arrived at between the Manchoukuo Government and the Nippon Industrial Company with regard to protecting the interests of the existing shareholders of the latter concern is as follows:

- At the disposal of profit for each period, the dividend shall be determined as follows:
 - When the dividend rate for private shareholders is 10% or under, the dividend for the shares held by Manchoukuo shall be one-half thereof. For example, if the private shareholders receive a 10% dividend Manchoukuo shall receive a 5% dividend.
 - Any profit in excess of a dividend of 10% for private shareholders and 5% for Manchoukuo shall be divided equally. For example, if private shareholders receive a 12% dividend, Manchoukuo shall receive a 7% dividend.
- In the event of liquidation of the Corporation, the residue shall be divided between the private shareholders and the Government shares in the ratio of two to one up to one and one-half times the amount of the paid-up capital. Any excess over one and one-half times the paid-in capital shall be divided equally.
- The Manchoukuo Government shall guarantee the principal and a consolidated net return of 6% per annum on all funds expended by the Corporation in connection with carrying on enterprises in Manchoukuo for ten years from the formation of the Corporation. In the event the Corporation does not earn the said 6% per annum and it is necessary for the Manchoukuo Government to make up a

deficit up to 6%, the Government shall be reimbursed in subsequent periods out of any earnings in excess of 6%.

4. No Manchoukuo tax shall be imposed on profit made by the Corporation from investments outside Manchoukuo. Dividends paid by the Corporation to shareholders residing outside of Manchoukuo shall not be taxed. In regard to the taxation of enterprises in Manchoukuo, the Manchoukuo Government shall take suitable steps so that the functions of integrated management of the Corporation will not be impaired in the event that a change in the taxation system should cause an additional burden to be placed on the Corporation in the future.
5. The Corporation shall not be restricted in fixing the dividend rate when a disposal of profits is made.
6. In regard to the marketability of the private shares of the Corporation, the Japanese and Manchoukuo Governments shall take suitable measures so that the existing negotiability shall not be impaired.

In short, adequate protection in the form of guarantees and other privileges as listed above is to be given to the Corporation's enterprises carried on within Manchoukuo during their early stages. Therefore, even in the event that the corporation undertakes large scale projects for rapid development, it will be in a position to continue paying dividends on private shares at a rate unchanged from that of the Nippon Industrial Company, so long as there is no deterioration in the operating and earning conditions of the former enterprises of the Nippon Industrial Company.

ARTICLES OF ASSOCIATION OF MANCHURIA INDUSTRIAL DEVELOPMENT CORPORATION

Section I. General Provisions

Article 1. The Corporation shall be called MANCHURIA INDUSTRIAL DEVELOPMENT CORPORATION and shall be supervised by the Government under the Manchuria Industrial Development Corporation Administration Act passed by virtue of Imperial Ordinance No. 460 of the 4th year of Kangte.

Article 2. The objects and purposes of the Corporation are to invest in any or all of the following industries, and to direct the management thereof in Manchoukuo:

1. Iron and Steel industry
2. Light Metal Industry
3. Automobile Manufacturing Industry
4. Aeroplane Manufacturing Industry
5. Coal Industry

Besides the business mentioned in the preceding paragraph, the Corporation may invest in the business of mining gold, zinc, lead, copper and other metals as well as in various domestic and foreign businesses for which the sanction of the Minister of the Competent Department is obtained.

The Corporation may become a promoter for the purpose of organizing companies the objects of which are businesses in the two preceding paragraphs or may advance funds to affiliated companies and guarantee the obligations thereof.

Article 3. The amount of capital of the Corporation shall be Four Hundred Fifty Million Yen (¥450,000,000), Japanese currency.

Article 4. The head office of the Corporation shall be located in Hsinking Special City, a branch office shall be located in the City of Tokyo, Japan, and offices and business quarters may be established in necessary places by decisions of the Board of Directors.

Article 5. Public notices of the Corporation shall be given in the Government Public Gazette and in the Official Gazette issued by the Japanese Government.

Section II. Shares

Article 6. The capital of the Corporation shall be divided into Nine Million (9,000,000) shares of the par value of Fifty Yen (¥50) per share, Japanese currency.

Article 7. The shares of the Corporation shall be classified into two classes, viz., Four Million Five Hundred Thousand (4,500,000) shares owned by the Government which shall be designated Class A Shares, and Four Million Five Hundred Thousand (4,500,000) shares owned by persons other than the Government, designated as Class B Shares.

Article 8. The total amount paid up on Class A Shares shall be equal to the total amount paid up on Class B Shares.

Article 9. Share certificates of the Corporation shall have the name of the shareholders inscribed thereon. Certificates for Class A Shares shall be of two denominations viz., a share certificate for Two Million Three Hundred Seventy Thousand (2,370,000) shares, and a share certificate for Two Million One Hundred Thirty Thousand (2,130,000) shares. Certificates for Class B Shares shall be of four denominations, viz., one (1) share certificates, ten (10) share certificates, fifty (50) share certificates and one hundred (100) share certificates.

Article 10. The amount of dividend payable to shareholders at the close of each fiscal term of the Corporation not in excess of seven and one half (7½) per cent per annum on the paid-in capital, shall be distributed in the proportion of one part to Class A Share and two parts to Class B Shares.

In case the amount of dividend payable to shareholders at the close of each fiscal term, exceeds seven and one half (7½) per cent per annum on the paid-in capital, the rate of dividend for such excess shall be equal as to Class A Shares and Class B Shares.

Article 11. In case of dissolution of the Corporation, the residual assets, the value of which do not exceed one hundred fifty (150) per cent on the paid-in capital, shall be distributed in the proportion one part to Class A Shares and two parts to Class B Shares.

In case the value of the residual assets exceed one hundred fifty (150) per cent of the paid-in capital, the rate of distribution of such excess shall be equal as to Class A Shares and Class B Shares.

Article 12. A shareholder who fails to pay calls for payment upon shares shall pay interest for delay at the rate of Three (3) sen, Japanese currency, per day for each One Hundred Yen (¥100) of amount in delay, calculated from the day following the date fixed for payment to the date of actual payment.

Article 13. Shares of the Corporation may be transferred to persons of Manchoukuo and Japanese nationality only, or to juridical persons organized under the laws of either of these countries, the majority of the voting power of which juridical persons belongs to a person or persons or a juridical person or persons of Manchoukuo or Japanese nationality.

Article 14. Shares of the Corporation are not transferable by endorsement on the share certificates.

Article 15. In cases of transfers of shares, written application to record such transfers on forms provided by the Corporation, signed by both parties, shall be submitted to the Corporation together with the share certificate or certificates signed on the back thereof by the acquirer.

In cases of change in ownership of shares from causes other than transfer, a written application to record such change on forms provided by the Corporation shall be submitted to the Corporation together with documents proving the fact of the change in ownership together with the share certificate or certificates signed on the back thereof by the acquirer.

In the cases provided for in the two preceding paragraphs, the Corporation shall record the fact of the transfer or change in ownership in the register of shareholders and return the share certificate or certificates to the applicant after having the fact of the transfer or change in ownership authenticated by the Representative of the Corporation on the reverse side thereof.

A fee of Ten (10) sen, Japanese currency, per share certificate shall be paid for recording transfers or changes in ownership.

Article 16. A person desiring to exchange his or its share certificate or certificates for a new share certificate or certificates because of division, combination, mutilation or for other reasons, shall submit to the Corporation a written application on the form provided by the Corporation, in which the reasons for the exchange shall be clearly stated, together with the share certificate or certificates.

A fee of Fifty (50) sen, Japanese currency, per new certificate shall be paid for the exchange of certificates.

Article 17. A shareholder who has unintentionally lost his or its share certificate or certificates may apply for re-issuance of a share certificate or certificates only after completing public notice proceedings and securing a judgment cancelling the right.

A shareholder, intending to make the application referred to in the preceding paragraph, shall submit to the Corporation a written application on the form provided by the Corporation accompanied by documents showing the fact that the public notice proceedings have been completed and the judgment cancelling the right has been secured.

A fee of Fifty (50) sen, Japanese currency, per certificate shall be paid on the re-issuance of share certificates.

Article 18. The Corporation may close the registration of share transfers from May 26th and November 26th of each year until the conclusion of the Ordinary General Meeting of Shareholders held in the respective following months.

In addition to the cases set forth in the preceding paragraph, if it is deemed necessary, the registration of share transfers may be suspended for a certain period of time after giving public notice to this effect.

Article 19. A shareholder or the legal or other representatives of shareholders shall file with the Corporation his name, address and seal impression on the form prescribed by the Corporation. This provision shall also apply in respect to any changes therein.

A person referred to in the preceding paragraph residing in a country other than Manchoukuo and Japan shall previously fix a temporary address or an attorney in either of these two countries and shall give notice to the Corporation of this fact. This provision shall also apply in respect to any changes therein.

Section III. General Meeting of Shareholders

Article 20. General Meetings of Shareholders shall be of two kinds, viz., Ordinary General Meetings and Extraordinary General Meetings. Ordinary General Meetings shall be called in the months of June and December of each year, and Extraordinary General Meetings shall be called at any time when deemed necessary. General Meetings of Shareholders shall be held in the place where the head office is situated or in the City of Tokyo, Japan.

Article 21. The date, time and place of General Meetings of Shareholders shall be fixed by the President, and a notice of call shall be despatched to each shareholder ten (10) days prior to the date of a meeting.

Article 22. The President shall act as Chairman of General Meetings of Shareholders. In case the President is prevented from acting as Chairman, a Vice-President shall take the Chair.

Article 23. In case of a tie vote in respect to proceedings at General Meetings, the Chairman shall cast the deciding vote.

Article 24. A shareholder may exercise his or its voting power by proxy, provided, however, that a proxy holder must be a shareholder or an officer of the Corporation.

A proxy holder referred to in the preceding paragraph shall submit to the Corporation a document showing his proxy power. This provision, however, shall not apply in case the fact that he has been given a proxy is known to the Corporation.

Article 25. Minutes shall be prepared of proceedings at General Meetings, and a summary and the results of proceedings shall be written therein. The minutes shall be signed by the Chairman, a Director or Directors, an Auditor or Auditors and one or more shareholders present at the meeting, and shall be kept at the office of the Corporation.

Section IV. Officers

Article 26. The Corporation shall have one President, two Vice-Presidents, five or more Directors and three or more Auditors.

The President shall appoint a certain number of Managing Directors from the Directors.

Article 27. The President shall represent the Corporation and superintend the business affairs thereof.

In case the President is prevented from performing his duties, one of the Vice-Presidents shall perform the duties of the President.

The Vice-Presidents and the Directors shall assist the President and shall manage the business affairs of the Corporation.

The Auditors shall audit the business affairs of the Corporation.

Article 28. The President and Vice-President shall be appointed by the Government and Directors and Auditors shall be elected at General Meetings of Shareholders.

The term of office of the President and of Vice-President shall be five years, the term of office of Directors shall be four years and of Auditors three years.

Article 29. Directors and Auditors shall continue to perform the duties of their office after the expiration of their term of office until the conclusion of the Ordinary General Meeting of Shareholders for the period in which their term of office expires.

Article 30. The President, Vice-President and Directors attending to the ordinary business affairs of the Corporation, who desire to engage in other business, shall obtain permission to do so from the Minister of the Competent Department.

Article 31. The amount of remuneration and allowance to the President and Vice-Presidents shall be decided by the Government, and the amount of remuneration and allowance to Directors and Auditors shall be decided at General Meeting of Shareholders and shall be approved by the Minister of the Competent Department.

Article 32. The President, Vice-Presidents and Directors shall constitute the Board of Directors, and at Meetings of the Board of Directors matters relating to important business affairs of the Corporation shall be discussed. Decisions at Meetings of the Board of Directors shall be made by the President.

Article 33. Auditors may be present at Meetings of the Board of Directors and may state their opinions.

Article 34. Auditors shall examine the documents to be submitted to General Meetings of Shareholders and shall report their opinions to the Meetings.

Section V. Accounts

Article 35. The fiscal terms of the Corporation shall be from November 26th to May 25th and May 26th to November 25th. The accounts of the Corporation shall be closed on the last day of each term.

Article 36. The President shall prepare the proposals in regard to the Inventory, Balance Sheet, Business Report, Profit and Loss Statement and Proposition for Disposal of Profit for each fiscal term, and shall submit them with the written opinion of the Auditors thereon to Ordinary General Meetings of Shareholders and obtain approval thereof.

Article 37. The net profits of the Corporation for each fiscal term shall be the balance after deducting the gross loss from the gross profit in such fiscal term. The net profit and the amount brought forward from the preceding term added thereto shall be disposed of in the following manner:

- Five per cent of the Net Profits to Legal Reserve
- A portion to Special Reserves
- A portion to Dividends for Shareholders
- A portion to Bonus to Officers
- A portion to be carried forward

Article 38. Dividends to shareholders shall be paid after the completion of each Ordinary General Meeting of Shareholders to shareholders of record as of May 26th and November 26th each year.

Section IV. Supplementary Provisions

Article 39. The register of shareholders and the original record of debentures of the Corporation shall be kept temporarily in the Tokyo Branch after obtaining permission from the Minister of the Competent Department.

MANCHURIA INDUSTRIAL DEVELOPMENT CORPORATION ADMINISTRATION ACT

Imperial Ordinance No. 460, issued on December 20th
of the 4th year of Kangte

This is to sanction the Manchuria Industrial Development Corporation Administration Act and to order the same to be promulgated with approval

of the Privy Council in accordance with Article 36 of the Constitution.
Signed and sealed by the Emperor of Manchoukuo on December 20th
of the 4th year of Kangte

Chang Ching Hui
Prime-Minister of State

Lu Jung Huan

Minister of the Industrial Department

Han Yuan Chieh

Minister of the Economic Department

Chang Huan Hsiang

Minister of the Judicial Department

Imperial Ordinance No. 460.

Manchuria Industrial Development Corporation Administration Act

Article 1. The Government shall supervise the Manchuria Industrial Development Corporation in accordance with this Law, in order to expedite the coordinated establishment of heavy industries in this country, and to control these industries.

Article 2. The objects of the Manchuria Industrial Development Corporation are to invest in any or all of the following industries and to direct the management thereof in this country:

1. Iron and Steel Industry
2. Light Metal Industry
3. Automobile Manufacturing Industry
4. Aeroplane Manufacturing Industry
5. Coal Industry

Besides the business mentioned in the preceding paragraph the Manchuria Industrial Development Corporation may incidentally invest in the business of mining gold, zinc, lead, copper and other metals or other enterprises. Provided, that the sanction of the Minister of the Competent Department shall be obtained for businesses other than investments in the mining business in this country.

Article 3. The Manchuria Industrial Development Corporation shall establish its head office in Hsinking Special City.

Article 4. The amount of capital of the Manchuria Industrial Development Corporation shall be Four Hundred Fifty Million Yen (¥450,000,000). Provided, however, that the amount of capital may be increase with the sanction of the Minister of the Competent Department.

In the case contemplated in the proviso of the preceding paragraph, shares without voting power may be issued, irrespective of the provisions of the second paragraph of Article 97 of the Corporation Law.

Article 5. The Government shall own one half of the total number of shares with voting power of the Manchuria Industrial Development Corporation.

Article 6. Shares with voting power of the Manchuria Industrial Development Corporation may be transferred to persons of Manchoukuo and Japanese nationality only, or to juridical persons organized under the laws of either of these countries, the majority of the voting power of which juridical persons belongs to a person or persons or a juridical person or persons of Manchoukuo or Japanese nationality.

Article 7. The Manchuria Industrial Development Corporation shall have one President, two Vice-Presidents, five or more Directors and three or more Auditors.

Article 8. The President shall represent the Manchuria Industrial Development Corporation and superintend the business affairs thereof.

In case the President is prevented from performing his duties, one of the Vice-Presidents shall perform the duties of the President.

The Vice-Presidents and the Directors shall assist the President and shall manage the business affairs of the Manchuria Industrial Development Corporation.

The Auditors shall audit the business affairs of the Manchuria Industrial Development Corporation.

Article 9. The President and Vice-Presidents shall be appointed by the Government, and Directors and Auditors shall be elected at General Meetings of Shareholders.

The term of office of the President and of Vice-Presidents shall be five years, the term of office of Directors shall be four years, and of Auditors three years.

Article 10. The amount of remuneration and allowance to the President and Vice-Presidents shall be decided by the Government.

Article 11. The President, Vice-Presidents and Directors attending to the ordinary business affairs shall not engage in other business without the permission of the Minister of the Competent Department.

Article 12. The amount of dividend payable to shareholders at the close of each fiscal term of the Manchuria Industrial Development Corporation not in excess of seven and one half (7½) per cent per annum on the paid-in capital, shall be distributed in the proportion of one part to the shares owned by the Government and two parts to the shares owned by others than the Government.

In case the amount of dividend payable to shareholders exceeds seven and one half (7½) per cent per annum on the paid-in capital, the rate of dividend for such excess shall be equal as to each share.

In case the capital is increased in accordance with the provisions of Article 4, a special provision shall be made, with the sanction of the Minister of the Competent Department, as to the dividend payable to shareholders, irrespective of the provisions of the two preceding paragraphs.

Article 13. If at the close of each fiscal term of the Manchuria Industrial Development Corporation, the consolidated net profits accrued from undertaking carried on in Manchoukuo do not equal six (6) per cent per an-

num on the total amount of funds appropriated for such undertakings, (funds consisting of profits earned from such undertakings excepted), the Government will contribute an amount equal to the amount of such shortage for any fiscal term ending within ten years from the enforcement date of this Law. If and when consolidated net profits for subsequent fiscal terms exceed six (6) per cent per annum, the amount so contributed shall be repaid from such excess, with interest at the rate of two (2) per cent per annum.

Consolidated net profits shall be calculated by deducting gross losses (interest on debts excluded) from gross profits (profits brought forward included) accrued from undertaking carried on in Manchoukuo.

Article 14. In case of dissolution of the Manchuria Industrial Development Corporation, the residual assets, the value of which do not exceed one hundred fifty (150) per cent of the paid-in capital, shall be distributed in the proportion of one part to the shares owned by the Government and two parts to the shares owned by others than the Government.

In case the value of the residual assets exceed one hundred fifty (150) per cent of the paid-in capital the rate of distribution for such excess shall be equal as to each share.

In case the capital is increased in accordance with the provisions of Article 4, a special provision shall be made, with the sanction of the Minister of the Competent Department, as to the distribution of the residual assets to shareholders, irrespective of the provisions of the two preceding paragraphs.

Article 15. The Manchuria Industrial Development Corporation may issue debentures to the extent of twice the amount of the paid-in capital with the sanction of the Minister of the Competent Department.

Article 16. In calling general meetings of the shareholders of the Manchuria Industrial Development Corporation, a notice shall be sent to each shareholder ten days prior to the date of the meeting.

Article 17. The Manchuria Industrial Development Corporation shall determine its business plans for each fiscal year, and submit the plans to the Minister of the Competent Department. The rule shall apply to any alterations in the plans.

Article 18. Resolutions for the election and dismissal of Directors and Auditors, for amendments to the Articles of Association, for the disposition of profits, for the issuance of debentures for the amalgamation and dissolution of the Corporation shall not become effective unless the sanction of the Minister of the Competent Department is obtained therefor.

Article 19. The Manchuria Industrial Development Corporation shall not transfer its important assets or surrender the same as security without the sanction of the Minister of the Competent Department.

Article 20. The Minister of the Competent Department may issue the necessary orders for supervision of the business affairs of the Manchuria Industrial Development Corporation.

Article 21. The Minister of the Competent Department may issue the necessary orders for control of the enterprises as to the business of the Manchuria Development Corporation.

Article 22. The Minister of the Competent Department may rescind resolutions of the Manchuria Industrial Development Corporation, if he deems such resolutions to be against the laws, regulations, Articles of Association, or to be detrimental to public welfare.

The Minister of the Competent Department may dismiss the President, Vice-Presidents, Directors or Inspectors, if he deems acts of such officers to be against the laws, regulations, Articles of Association, orders issued hereunder, or to be detrimental to public welfare.

Article 23. The Minister of the Competent Department shall appoint Superintendents of the Manchuria Industrial Development Corporation, and have such Superintendent inspect the business affairs of the Manchuria Industrial Development Corporation.

Article 24. The Superintendent of the Manchuria Industrial Development Corporation may at any time examine safes, books and documents of the Manchuria Industrial Development Corporation.

The Superintendent of the Manchuria Industrial Development Corporation may at any time he deems it necessary order the Manchuria Industrial Development Corporation to submit its accounts and a report on the condition of its business.

The Superintendent of the Manchuria Industrial Development Corporation may attend general meetings of shareholders, and other meetings, and express his opinion thereat.

Article 25. The Minister of the Competent Department referred to in this Law shall be the Minister of the Industrial Department and the Minister of the Economic Department.

Article 26. No person other than the Manchuria Development Corporation may use the name of Manchuria Development Corporation, or any other name similar thereto, as a trade name.

Supplementary Provisions

Article 27. This Law shall be enforced on and after December 27th of the 4th year of Kangte.

Article 28. The Capital of the Manchuria Industrial Development Corporation may for the time being be in Japanese currency.

Article 29. As to the business coming under the second paragraph of Article 2, in which the Manchuria Industrial Development Corporation may have invested at the time of the enforcement of this Law, such business or businesses as to which notice is given to the Minister of the Competent Department within thirty days from the date of enforcement hereof shall be deemed to have been sanctioned hereunder.

Article 30. If the President, Vice-Presidents or Directors attending to

ordinary business affairs of the Manchuria Industrial Development Corporation, who are engaged in other business at the time of enforcement of this Law, notify such fact to the Minister of the Competent Department within thirty days from the date of enforcement hereof, it shall be deemed that they have obtained sanction therefor.

Article 31. The register of shareholders and the original record of debentures of the Manchuria Industrial Development Corporation, with the sanction of the Minister of the Competent Department, shall not be subject to the provisions of Article 123 of the Corporation Law for the time being.

Principal Affiliated Companies of the Manchuria Industrial Development Corporation

The principal affiliated companies of the Manchuria Industrial Development Corporation in Japan and in Manchoukuo are the following:

PRINCIPAL AFFILIATED COMPANIES IN JAPAN

Nippon Mining Co., Ltd.
Hitachi, Ltd.
Osaka Iron Works, Ltd.
Hitachi Electric Power Co., Ltd.
Nissan Automobile Co., Ltd.
Nissan Automobile Sales Co., Ltd.
Nissan Chemical Industry Co., Ltd.
Japan Fat & Oil Industry Co., Ltd.
Nippon Marine Products Co., Ltd.
Nippon Industrial Rubber Co., Ltd.
The Daido Match Co., Ltd.
The Nissan Fire & Marine Insurance Co., Ltd.

PRINCIPAL AFFILIATED COMPANIES IN MANCHOUKUO

Showa Steel Works, Ltd.
Manchuria Colliery Co., Ltd.
Manchuria Mining Co., Ltd.
Manchuria Light Metals Co., Ltd.
Dowa Automobile Co., Ltd.
Manchuria Gold Mining Co., Ltd.
Manchuria Lead Co., Ltd.
The Manchuria Soya Bean Industry Corp.

CHAPTER X FOREIGN TRADE

GENERAL

While Manchoukuo has made rapid strides in developing the cultural, governmental and industrial facilities of the country, its advance in foreign trade has been particularly impressive. Soya beans, bean cake and bean oil combined account for half the value of Manchoukuo's exports. Other important items include coal, pig iron, peanuts and other products. Outstanding gains have been recorded during the past several years in the export of soya beans, iron, sulphate of ammonia, perilla oil, bristles, hides and skins, and bran. Two factors have been mainly responsible for this development. The first is the restoration of peace and expansion of transportation facilities. The second factor is the Japanese capital invested in developing Manchuria's resources.

Cotton piece goods were the leading article of import into Manchoukuo, accounting in past years for about 12 per cent of total imports, but it is being superseded by machinery and implements. Other prominent imports are vehicles, paper, raw cotton, textiles of silk and rayon, petroleum, cotton manufactures, woolen and worsted fabrics, gunny bags, wheat flour, sugar, chemicals and lumber.

The foreign trade in recent years has been heavily against Manchoukuo because imports have increased at a faster pace than exports, and this phenomenon in turn has been due chiefly to a great influx of machinery, hardware, vehicles, etc., required for industrial development activities. For some time to come this tendency will probably persist. On the other hand, imports of wheat flour and cement have dwindled. This development signifies that Manchoukuo has now attained self-sufficiency in the two commodities which are, in fact, being produced in considerable volume by domestic mills. It is significant that along with the expansion in the volume of trade both ways, a change is constantly taking

place in the articles comprising the trade's structure, which faithfully reflects the course of the country's industrial development.

Japan's Share in Manchoukuo's Trade. That Japan's share of both the import and export trade of Manchoukuo so far exceeds the share of any other nation is explained by the following factors:

1. Japan's geographical propinquity to Manchoukuo: The country is as close to Japan as Canada is to the United States.
2. Japanese development of the Kwantung Territory through which the South Manchuria Railway operates since early in the century.
3. Japanese investment of close to 1,000 million yen in Manchuria prior to the establishment of Manchoukuo and investment of over 3,100 million yen up to the end of 1939. The vast amount of money required to finance the Five Year Industrial Plan for Manchoukuo now under way was raised largely in Japan.
4. Japan is the largest single purchaser of Manchoukuo's exports. In addition, the two nations' similar manner of living places Japan in an advantageous position to serve Manchoukuo's needs.
5. Absence of trade impediments in the form of import restrictions, quotas, etc.
6. A large number of Japanese have selected Manchoukuo as their home. They are developing industries of many kinds which constitute important outlets for Japanese manufactured articles.

Indirect Imports Via Japan. At the same time, it must be noted for convenience in ocean routing and for other considerations, a considerable tonnage of merchandise is first imported into Japan and then re-exported to Manchoukuo but is listed in trade statistics as imports from Japan. For example, the 1937 import figures show as coming from Japan and Chosen, 5,794,000 yuan of petroleum, 4,257,000 yuan of gunny bags and 1,593,000 yuan of lead, but obviously these items came originally from non-Japanese foreign sources. Movements of this sort of goods tend, of course, to swell the figures for imports from Japan.

The second largest source of Manchoukuo imports, exceeded

only by Japan, is the United States since that country is the world's largest source of supply for petroleum, iron and steel, vehicles, raw cotton, machinery, tobacco and lumber, and Manchoukuo is absorbing these commodities in growing quantities. Other important countries which sell to Manchoukuo are British India, China, Germany, England, the Netherlands Indies, Belgium and France. Recently Germany and Italy recognized the independence of Manchoukuo and otherwise took steps to promote friendly relations with the new country. They have since concluded trade agreements calling for large scale purchases and reciprocal sales to Manchoukuo against these purchases.

The re-export to Manchoukuo of goods of non-Japanese origin is a characteristic factor in Japan's export industries as a whole. Poorly endowed by nature, Japan must depend largely on foreign countries for its industrial raw materials, which are re-shipped abroad after being processed there. Almost two-thirds of Japan's export commodities are based entirely or in part upon imported materials. Many items which Manchoukuo imports are labeled "Made in Japan" but in truth are largely American imports that have been processed in their final form, or Canadian products that have been similarly processed. For instance, in 1937 Japan and Chosen were credited as a source of cotton yarn and piece goods imports into Manchoukuo valued at 94,600,000 yuan and equivalent to 97 per cent of the total for these items, but the commodities had been manufactured from raw cotton supplied almost entirely by the United States and India.

In much the same manner, scrap iron from America is melted in Japan and rolled into rails and sheets or cast into machinery and vehicles intended for the Manchoukuo market; electrolytic copper from America is brought to Japan, drawn into electrical wires, and forwarded to Manchoukuo; crude centrifugal sugar from the Netherlands East Indies is made into the refined product in Japan before being re-exported; and additional cases of this character could be cited. As accelerated movement of such articles from Japan therefore would reflect an increase in the trade of the countries from which the raw materials emanate.

Table 1. GROSS FOREIGN TRADE OF MANCHOUKUO

	(MY1,000)			% against Total	
	Export Index	Import Index	Total Index	% against Total	
				Export %	Import %
1926	566,770	421,992	988,768	57	43
1927	626,002	409,245	1,035,248	60	40
1928	668,678	459,946	1,128,624	59	41
1929	659,682	502,948	1,162,630	57	43
1930	608,384	462,733	1,071,157	62	38
1931	739,272	341,600	1,080,871	68	32
1932	618,157	337,673	955,830	67	33
1933	448,478	515,832	964,310	47	53
1934	448,427	539,562	1,041,989	43	57
1935	421,078	604,149	1,025,227	41	59
1936	602,759	691,889	1,294,648	42	58
1937	645,298	887,412	1,532,709	43	57
1938	725,454	1,274,748	2,000,202	36	64
1939	834,717	1,816,124	2,650,841	32	68
1937 (1st half)	358,272	407,765	766,037	42	58
1938 (1st half)	404,022	557,576	961,598	42	58
1939 (1st half)	497,616	760,887	1,258,502	40	60

Note: Statistics of the foreign trade of Manchoukuo include those of the Kwantung Leased Territory from 1932.

Table 2. VALUE PERCENTAGE OF EXPORTS & IMPORTS OF MERCHANDISE BY COUNTRIES AND BY CATEGORIES

(A) Exports						
To:	Year	Foodstuffs, Beverage, Prepared Tobacco	Raw Materials	Raw Materials for further Manufacturing	Wholly or Mainly Manufactured Goods	Grand Total of Exports
	1936	34.49	37.59	60.44	46.31	43.66
	1937	42.48	41.59	61.20	36.70	47.74
	1938	—	—	—	—	47.69
	1939	—	—	—	—	51.25
Chosen	1935	31.05	6.78	4.23	10.72	8.04
	1936	37.11	5.97	4.11	7.31	8.79
	1937	29.94	5.27	3.57	13.46	7.12
	1938	—	—	—	—	6.77
	1939	—	—	—	—	7.51

(Continued) (Unit: %)

To:	Year	Foodstuffs, Beverage, Prepared Tobacco	Raw Materials	Raw Materials for further Manufacturing	Wholly or Mainly Manufactured Goods	Grand Total of Exports
	1936	25.16	8.70	11.90	43.15	12.11
	1937	23.32	4.07	9.08	38.35	7.12
	1938	—	—	—	—	16.74
	1939	—	—	—	—	20.23
Great Britain	1935	0.28	8.68	3.33	0.01	6.17
	1936	0.33	7.42	2.61	0	5.20
	1937	0.44	1.85	1.70	0.68	1.64
	1938	—	—	—	—	0.38
	1939	—	—	—	—	0.95
Germany	1935	3.68	10.83	5.44	0	8.35
	1936	1.23	12.79	6.25	—	9.49
	1937	2.33	14.70	5.60	—	10.48
	1938	—	—	—	—	6.95
	1939	—	—	—	—	6.03
Italy	1935	0.04	1.65	0.01	—	0.99
	1936	0.06	—	0.01	—	0.07
	1937	—	0.78	0.05	0	0.47
	1938	—	—	—	—	0.46
	1939	—	—	—	—	1.52
U.S.A.	1935	1.11	3.22	6.46	0.90	3.93
	1936	0.38	1.71	7.42	0.15	3.07
	1937	0.05	1.46	8.03	1.10	3.30
	1938	—	—	—	—	1.56
	1939	—	—	—	—	1.72

(B) Imports

From:	Year	Foodstuff Beverage, Prepared Tobacco	Raw Materials	Raw Materials for further Manufacturing	Wholly or Mainly Manufactured Goods	Grand Total of Imports
	1936	57.36	34.04	73.25	85.73	73.33
	1937	63.82	20.91	62.60	83.37	70.69
	1938	—	—	—	—	73.17
	1939	—	—	—	—	77.58
Chosen	1935	7.45	6.75	1.89	2.09	3.69
	1936	7.81	5.01	3.26	2.61	3.95
	1937	10.80	5.37	2.82	3.28	4.40
	1938	—	—	—	—	4.47
	1939	—	—	—	—	5.67

(Continued) (Unit: %)

From:	Year	Foodstuffs, Beverage, Prepared Tobacco	Raw Materials	Wholly or Mainly Manu- factured Goods	Grand Total of Imports
China	1935	6.20	14.24	5.12	5.32
	1936	12.86	17.69	3.76	6.89
	1937	9.26	13.62	2.05	4.42
	1938	—	—	—	5.57
	1939	—	—	—	3.69
Hongkong	1935	1.08	0.96	0.64	0.11
	1936	2.64	1.13	0.76	0.07
	1937	1.86	0.90	0.81	0.05
	1938	—	—	—	0.10
	1939	—	—	—	0.02
British India	1935	1.71	20.35	0.30	3.26
	1936	1.26	21.62	0.30	2.41
	1937	1.98	29.39	0.37	3.08
	1938	—	—	—	2.40
	1939	—	—	—	1.34
Great Britain	1935	1.49	0.34	3.14	1.38
	1936	1.10	0.20	2.23	0.99
	1937	1.06	0.20	2.33	1.16
	1938	—	—	—	0.58
	1939	—	—	—	0.25
Germany	1935	0.12	0.09	7.76	2.20
	1936	0.08	0.22	4.67	2.13
	1937	0.03	0.06	4.28	1.97
	1938	—	—	—	2.90
	1939	—	—	—	2.86
Italy	1935	0.03	2.19	0.02	0.04
	1936	0.04	1.86	0.04	0.02
	1937	0.05	0.68	0.10	0.03
	1938	—	—	—	0.19
	1939	—	—	—	0.24
U.S.A.	1935	0.72	16.28	1.67	1.94
	1936	0.69	13.66	6.29	1.67
	1937	0.95	20.26	14.25	2.89
	1938	—	—	—	7.39
	1939	—	—	—	4.82
Australia	1935	16.51	0.38	0	0
	1936	7.36	0.28	0.03	0
	1937	1.38	1.11	0.13	0
	1938	—	—	—	0.19
	1939	—	—	—	0.12

Table 3. MANCHOUKUO'S FOREIGN TRADE CLASSIFIED BY PRINCIPAL COUNTRIES

(Unit: MY1,000)

	Japanese Empire		China		U.S.S.R.		Hongkong	
	Export	Import	Export	Import	Export	Import	Export	Import
1933	203,308	339,762	55,258	79,821	12,918	7,568	6,214	8,006
1934	318,675	408,601	65,694	57,595	8,423	4,876	6,849	3,597
1935	217,292	456,675	65,353	31,993	4,662	1,168	7,528	2,759
1936	280,904	534,630	128,603	47,685	1,585	261	8,732	4,987
1937	321,615	666,266	113,560	39,328	146	701	8,419	4,411
1938	416,825	933,413	121,683	70,716	29	32	3,902	1,378
1939	521,324	1,540,756	169,194	66,650	14	23	314	332
	British India		D.E.I.		Great Britain		France	
	Export	Import	Export	Import	Export	Import	Export	Import
1933	1,080	14,703	4,045	3,324	8,793	7,190	2,546	779
1934	646	23,944	1,710	6,695	16,218	8,316	2,921	565
1935	2,701	23,821	701	5,062	24,221	9,482	3,570	463
1936	1,691	28,224	1,478	6,859	27,521	7,419	4,837	789
1937	132	45,223	1,266	8,948	9,322	11,127	1,268	3,367
1938	46	30,603	297	933	5,447	7,376	1,512	5,067
1939	44	24,340	178	888	3,270	4,686	670	1,319
	Germany		Belgium		Holland		Italy	
	Export	Import	Export	Import	Export	Import	Export	Import
1933	66,357	10,577	281	1,291	5,910	427	1,847	459
1934	53,310	12,486	1,190	704	8,073	388	4,303	702
1935	32,799	14,742	1,148	1,511	10,075	815	3,864	1,357
1936	50,278	13,025	953	1,019	7,072	631	383	1,624
1937	59,051	17,278	1,273	3,990	16,570	1,530	2,644	1,064
1938	50,396	37,304	983	4,482	8,001	799	3,457	2,393
1939	50,358	52,241	2,076	1,077	5,041	301	12,659	4,359
	U.S.A.		Australia		Total incl. Others			
	Export	Import	Export	Import	Export	Import	Total	
1933	7,536	28,962	14	5,832	448,478	515,832	964,310	
1934	5,966	35,227	16	20,917	448,427	593,562	1,041,989	
1935	15,596	24,936	37	20,222	421,078	604,149	1,025,227	
1936	16,353	23,735	72	8,886	602,759	691,830	1,294,648	
1937	18,674	57,923	131	3,069	645,298	887,412	1,532,709	
1938	11,360	93,070	167	2,439	725,454	1,274,748	2,000,203	
1939	15,396	87,456	225	2,218	834,717	1,816,124	2,650,841	

ANALYSIS OF IMPORTS

Relative Position of Production and Consumption Goods. The principal imports of consumption commodities of Manchoukuo amounted to 491,000,000 yuan and principal imports of production commodities to 467,000,000 yuan in 1938. The fact that the value of production goods imports almost equals the value of consumption goods imports, is a special characteristic of Manchoukuo's foreign trade when compared with the situation in other senior states, but in making an analysis of the composition of this proportion according to periods, we find that the imports of production goods are gradually growing in quantity in comparison to imports of consumption goods.

In 1932, production goods imports constituted 22.3 per cent of total imports while imports of consumption goods amounted to 77.7 per cent of total imports. However, the percentage of production goods imports has increased gradually until in 1937 production goods amounted to 39.4 per cent and consumption goods to 60.6 per cent, a trend which indicated the increasing importance of production goods. In 1938, 1939 and 1940 this trend continued. This fact is a natural reflection of the internal activities in Manchoukuo, going on in the industrial, mining and construction fields. In this sense, the importation of production goods constitutes the basic conditions for the development of Manchoukuo's national economy. Furthermore, in analyzing the contents of consumption goods imports, we can safely assume that the significance of consumption goods imports in Manchoukuo which is predominantly an importing country, is much less than what statistics actually show since due consideration must be given to the fact that the greater part of the farmers use cloths produced at home (with the exception of products made from imported raw materials by the spinning industry) and that they consume food-stuffs produced within the country (with the exception of wheat flour, sugar, tea, etc.). In substance, the importance of production goods is mounting year by year.

Table 4. VOLUME OF PRINCIPAL ARTICLES EXPORTED AND IMPORTED

Articles:	Unit	(A) Exports					
		1934	1935	1936	1937	1938	1939
Bristles	(m. tons)	1,694	786	970	850	558	668
Horse Hair ...	(")	—	—	555	680	495	598
Hides	(")	—	—	910	908	727	12
Soya Beans ...	(1,000 m.t.)	2,499	1,760	1,975	1,980	2,165	1,712
Other Beans ..	(")	131	160	144	112	128	154
Bran, wheat ..	(")	—	—	87	138	97	52
Buck wheat ...	(")	52	27	29	30	27	14
Kaoliang	(")	222	73	186	126	216	226
Maize	(")	124	33	119	112	222	263
Millet	(")	243	106	161	127	163	214
Wheat	(")	—	—	15	13	12	0
Bean-cakes ...	(")	1,220	1,025	850	805	869	1,220
Perilla-cakes ..	(")	—	—	27	36	19	25
Ginseng	(m. tons)	263	267	274	216	95	61
Bean oil	(1,000 m.t.)	98	89	67	70	57	73
Perilla oil	(")	—	—	20	19	13	19
Ground nuts ..	(")	94	104	97	93	81	28
Castor seeds ..	(")	—	—	20	27	16	8
Cotton seeds ..	(")	—	—	15	13	16	6
Hemp seeds ...	(")	65	70	47	24	30	51
Perilla seeds ..	(")	32	64	118	64	49	60
Sesamum seeds (")		35	17	4	8	9	20
Coal	(")	4,302	4,182	3,737	3,824	2,953	1,741
Shale oil	(")	39	52	93	61	—	—
Raw silk, waste (m. tons)		1,489	1,370	998	1,500	1,199	769
Wool, sheep's ..	(")	1,590	3,090	3,250	2,900	1,441	1,170
Pig Iron & Kent- ledge	(1,000 m.t.)	440	432	309	252	—	—
Magnesite	(")	—	—	110	166	172	248
Soapstone & Tale (")		—	—	83	112	81	94
Sulphate of Am- monium	(")	29	98	177	156	212	128
Salt	(")	349	280	407	605	405	463

Articles:	Unit	(B) Imports					
		1934	1935	1936	1937	1938	1939
Raw Cotton ..	(m. tons)	17,001	12,300	23,200	37,200	48,151	8,798
Cotton yarn ..	(")	10,015	590	538	612	3,043	1,911
Raw Jute	(")	—	—	11,900	13,400	22,217	14,056
Gunny Bags ..	(1,000 m.t.)	56 ^b	55	49	63	62 ^a	67 ^a

(Continued)	Unit	1934	1935	1936	1937	1938	1939
Articles:							
Woolen yarn & cord	(m. tons)	—	—	76	255	1,253	729
Artificial silk, floss	(")	400	335	720	142	—	—
Aluminium ...	(")	—	—	568	950	2,840†	1,006†
Copper	(")	5,650	5,655	2,960	5,500	9,242†	9,904†
Lead	(")	—	—	4,235	4,659	2,540†	2,537†
Tea	(")	4,718	4,320	4,900	5,220	7,642	9,926
Rice & paddy ..	(1,000 m.t.)	74	81	107	68	58	79
Wheat flour ..	(")	520	465	210	79	240	299
Sugar	(")	93	107	223	168	236	184
Leaf tobacco ..	(m. tons)	17,050	9,720	15,200	12,900	12,378	9,875
Gasoline, etc. ..	(1,000 U.S. gallons)	19,565	9,013	3,890	17,567	—	—
Kerosene oil ..	(")	24,754	4,047	3,746	22,853	—	—
Lubricating oil (")	(")	4,839	5,518	5,326	5,343	—	—
Crude oil, mineral	(1,000 m.t.)	—	—	118	155	—	—
Sodium & Potassium Hydroxide	(m. tons)	—	—	—	—	6,968	6,876
Fresh fruits ..	(1,000 m.t.)	—	—	—	—	77	105
Fire & acid proof (")	(")	—	—	—	—	20	29

Note: * 1,000 pieces † in ¥1,000

Table 8. INTERNATIONAL BALANCE OF PAYMENTS

(Unit: M¥1,000)

(A) Assets	1934	1935	1936	1937
Total Inward Accounts:	898,362	1,043,939	1,361,268	1,432,187
Of which Visible Trade (Export)	448,427	421,078	602,659	645,298
Of which Invisible Trade				
(a) Ordinary receipts:				
Interest and dividends and foreign securities	2,654	4,378	2,736	3,408
Interest on overseas deposits and loans to foreign countries	5,146	4,658	7,369	7,589
Net profit from overseas enterprise	564	663	1,817	1,352
In connection with shipping	18,505	19,334	18,270	28,305
In connection with insurance	4,480	6,680	8,104	10,215
Total incl. Others ..	127,446	163,081	196,257	249,994

(Continued)	1934	1935	1936	1937
(b) Special receipts:				
Foreign capital invested in Manchoukuo	285,175	404,030	495,127	476,943
Collection of capital invested abroad	37,314	55,750	67,125	59,952
Total	322,489	459,780	562,252	536,895
Total of invisible trade	449,935	622,861	758,509	786,889
(B) Liabilities				
Total Outward Accounts:	802,913	946,977	1,283,408	1,401,273
Of which Visible Trade (Import):	593,562	604,149	691,830	887,412
Of which Invisible Trade				
(a) Ordinary payment:				
Interest and dividends on Manchoukuo securities possessed by foreign nationals	55,089	72,840	86,194	98,585
Interest on foreign loans and deposits	5,653	7,730	8,486	12,577
Net profit from foreign enterprise in Manchoukuo	5,584	11,076	8,692	10,199
Funds taken out by emigrants and returning immigrants' remittance ...	40,115	41,893	44,628	41,407
Payment in connection with shipping	5,817	4,055	4,420	7,297
Payment in connection with insurance	12,619	14,866	18,636	21,918
Amounts expended by Manchoukuoans abroad	21,042	25,289	37,617	39,396
Other payments by Government	3,763	4,605	8,347	32,081
Total	152,874	183,873	244,854	283,165
(b) Special payment:				
Investment abroad	50,487	72,704	64,971	106,854
Collection of foreign capital invested in Manchoukuo	5,990	20,811	236,056	88,985
Total incl. Others ..	56,477	158,955	346,724	230,696
Total of Invisible Trade	209,351	342,828	591,528	513,861
Balance (receipts)	95,449	96,962	77,858	30,914

(Continued)	Unit	1934	1935	1936	1937	1938	1939
Articles:							
Woolen yarn & cord	(m. tons)	—	—	76	255	1,253	729
Artificial silk, floss	(")	400	335	720	142	—	—
Aluminium ...	(")	—	—	568	950	2,840†	1,006†
Copper	(")	5,650	5,655	2,960	5,500	9,242†	9,904†
Lead	(")	—	—	4,235	4,659	2,540†	2,537†
Tea	(")	4,718	4,320	4,900	5,220	7,642	9,926
Rice & paddy ..	(1,000 m.t.)	74	81	107	68	58	79
Wheat flour ..	(")	520	465	210	79	240	299
Sugar	(")	93	107	223	168	236	184
Leaf tobacco ..	(m. tons)	17,050	9,720	15,200	12,900	12,378	9,875
Gasoline, etc. ..	(1,000 U.S. gallons)	19,565	9,013	3,890	17,567	—	—
Kerosene oil ..	(")	24,754	4,047	3,746	22,853	—	—
Lubricating oil (")	(")	4,839	5,518	5,326	5,343	—	—
Crude oil, mineral	(1,000 m.t.)	—	—	118	155	—	—
Sodium & Potassium Hydroxide	(m. tons)	—	—	—	—	6,968	6,876
Fresh fruits ..	(1,000 m.t.)	—	—	—	—	77	105
Fire & acid proof (")	(")	—	—	—	—	20	29

Note: * 1,000 pieces † in ¥1,000

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Of which Visible Trade (Export)	448,427	421,078	602,659	645,298
Of which Invisible Trade				
(a) Ordinary receipts:				
Interest and dividends and foreign securities	2,654	4,378	2,736	3,408
Interest on overseas deposits and loans to foreign countries	5,146	4,658	7,369	7,589
Net profit from overseas enterprise	564	663	1,817	1,352
In connection with shipping	18,505	19,334	18,270	28,305
In connection with insurance	4,480	6,680	8,104	10,215
Total incl. Others ..	127,446	163,081	196,257	249,994

(Continued)	1934	1935	1936	1937
(b) Special receipts:				
Foreign capital invested in Manchoukuo	285,175	404,030	495,127	476,943
Collection of capital invested abroad	37,314	55,750	67,125	59,952
Total	322,489	459,780	562,252	536,895
Total of invisible trade	449,935	622,861	758,509	786,889
(B) Liabilities				
Total Outward Accounts:	802,913	946,977	1,283,408	1,401,273
Of which Visible Trade (Import):	593,562	604,149	691,830	887,412
Of which Invisible Trade				
(a) Ordinary payment:				
Interest and dividends on Manchoukuo securities possessed by foreign nationals	55,089	72,840	86,194	98,585
Interest on foreign loans and deposits	5,653	7,730	8,486	12,577
Net profit from foreign enterprise in Manchoukuo	5,584	11,076	8,692	10,199
Funds taken out by emigrants and returning immigrants' remittance ...	40,115	41,893	44,628	41,407
Payment in connection with shipping	5,817	4,055	4,420	7,297
Payment in connection with insurance	12,619	14,866	18,636	21,918
Amounts expended by Manchoukuoans abroad	21,042	25,289	37,617	39,396
Other payments by Government	3,763	4,605	8,347	32,081
Total	152,874	183,873	244,854	283,165
(b) Special payment:				
Investment abroad	50,487	72,704	64,971	106,854
Collection of foreign capital invested in Manchoukuo	5,990	20,811	236,056	88,985
Total incl. Others ..	56,477	158,955	346,724	230,696
Total of Invisible Trade	209,351	342,828	591,528	513,861
Balance (receipts)	95,449	96,962	77,858	30,914

Table 5. COMMERCE BY PRINCIPAL CUSTOMS DISTRICTS

(Unit: MY1,000; % against total)

	Dairen				Antung			
	Export	Import	Total	%	Export	Import	Total	%
1934	335,182	449,247	784,428	75.3	44,735	77,372	122,107	11.7
1935	315,371	474,375	779,746	76.3	35,898	75,685	111,584	10.9
1936	422,699	526,201	968,900	74.7	42,163	93,333	135,596	10.4
1937	484,850	640,996	1,125,846	73.4	38,296	53,885	92,180	6.1
1938	508,208	860,024	1,368,232	68.4	46,308	86,532	132,841	6.5
1939	601,294	1,145,813	1,747,107	67.6	60,347	120,227	180,574	6.9

	Yingkow				Shanhaikwan			
	Export	Import	Total	%	Export	Import	Total	%
1934	36,316	29,049	65,365	6.3	8,620	8,105	16,725	1.3
1935	41,606	25,174	66,780	6.5	8,357	5,247	13,604	1.3
1936	52,701	26,347	79,048	6.1	19,039	11,572	30,611	2.4
1937	36,371	49,666	86,037	5.6	18,254	13,902	32,156	2.1
1938	33,837	44,031	77,868	3.8	32,095	28,640	60,735	3.0
1939	32,794	50,304	83,098	3.2	54,649	36,386	91,035	3.5

	Harbin				Tumen			
	Export	Import	Total	%	Export	Import	Total	%
1934	3,903	4,573	13,476	0.6	—	—	—	—
1935	3,005	4,960	7,911	0.8	15,143	27,496	42,639	4.2
1936	951	4,320	5,271	0.4	43,007	28,455	71,462	5.5
1937	537	23,044	23,582	1.5	66,945	47,978	114,923	7.5
1938	306	33,230	33,537	1.6	104,617	68,111	172,728	8.6
1939	157	53,218	53,375	2.7	85,418	157,156	242,574	9.4

Table 9. VESSELS ENTERED AND CLEARED BY FLAGS

	Entered			Cleared		
	No.	Tons (1,000)	Cargo Un-loaded (1,000 tons)	No.	Tons (1,000)	Cargo loaded (1,000 tons)
1929	6,422	8,272	—	6,312	8,172	—
1931	6,633	8,083	—	6,089	7,999	—
1933	5,394	8,456	—	5,436	8,592	—
1935	5,523	8,925	—	5,534	9,119	—
1936	5,292	8,323	—	5,333	8,417	—
1937	4,839	7,623	—	4,894	7,696	—
1938	5,043	7,193	4,401.9	5,066	7,236	7,276.3
1939	6,151	7,361	5,634.0	6,151	7,359	6,237.9

(Continued)

Of which:	Entered			Cleared		
	No.	Tons (1,000)	Cargo Un-loaded (1,000 tons)	No.	Tons (1,000)	Cargo loaded (1,000 tons)
Manchoukuoan	583	367	177.6	576	370	339.4
Kwantung	1,126	1,500	1,275.3	1,092	1,441	1,377.8
Japanese	3,379	3,841	3,065.8	3,382	3,822	3,188.9
Chinese	761	556	406.9	803	649	543.0
U.S.S.R.	1	3	—	—	—	—
British	106	412	241.6	107	419	265.9
French	—	—	—	—	—	—
German	71	267	120.4	72	262	298.8
Dutch	13	58	51.0	12	54	9.0
Danish	14	66	45.8	14	66	29.2
Swedish	12	47	24.9	11	43	10.8
Norwegian	48	136	149.3	46	133	86.9
Italian	22	65	30.0	22	62	68.5
Greek	3	10	7.1	2	6	14.4
U.S.A.	6	22	25.3	6	22	2.3
Total incl. others	6,151	7,361	5,634.0	6,151	7,359	6,237.9

DEVELOPMENT OF IMPORT CONTROL

The outbreak of the Sino-Japanese Hostilities in 1937, followed in the autumn of 1939 by the war in Europe, caused significant repercussions in the foreign trade of Manchoukuo. The war in Europe, particularly, brought about acute reductions in the country's exports to certain European countries while causing proportionate difficulties in the importation of necessaries from the belligerent countries and America. To meet this situation it was deemed best to establish a greater control over imports and exports with a view to improving the flow of trade from such countries with which Manchoukuo could transact during the wartime period.

Under the system of import control that came into force in 1939, the exporting of soy beans and grains is done exclusively by the Manchuria Staple Produce Control Corp. and the Manchoukuo Cereals Company, while the importation of heavy industrial products from Japan is monopolized by the Japan-Manchoukuo Trading Company. The importation and domestic distribution of clothing, foods and miscellaneous articles are largely conducted by the Manchoukuo Necessary Goods Distribution Company established in 1939. Such monopolistic organs of distribution are deemed essential from the

standpoint of price policy and much is expected of their activities at present while there is a deficiency of various commodities. Building materials are distributed mainly to the national policy companies, which are considered necessary for the purpose of realizing the country's building plans. The Manchoukuo Government has added 54 kinds of goods to those categories for the importation of which official permission is required, and at the same time has decided to form exclusive importing concerns according to the categories of principal goods. In accordance with the decision the government announced on January 6, 1940 its designation of the Dowa Automobile Company for the importation of automobiles and their accessories, the Japan-Manchoukuo Trading Company for chemical and non-ferrous minerals, the Manchuria Rubber Manufacturing Federation for rubber and rubber goods, the Manchuria Leaf-Tobacco Company for leaf tobacco, and the Manchuria Forestry Company for forestry products.

Following is the list of designated commodities which will be handled by the companies above-mentioned.

Dowa Automobile Company. Internal Combustion engines (for automobiles), automobiles and tractors and parts thereof.

Manchuria Leaf-Tobacco Company. Leaf-tobacco.

Manchuria Rubber Manufacturing Federation. Raw rubber and gutta (including re-manufactures), rubber tires and tubes, rubber and gutta percha and manufactures therefrom (excluding rubber and gutta percha for dental use), waste rubber, old rubber and gutta-percha (used only for remanufacturing purposes), articles of rubber, gutta-percha or artificial organic plastic materials, incorporated with textile products, paper, asbestos, etc.

Manchuria Forestry Company. Ironwood (Cassia Siamea), red sandal-wood, red or rosewood, ebony wood, mahogany wood, tea-wood, fragrant woods and other hardwood, softwood, railway sleepers, and floorings (with tenons or tenongrooves).

Japan-Manchoukuo Trading Company. Hydrochloric acid, sulphuric acid, carbolic acid, caustic soda, sodium carbonate (anhydrous), soda ash, nitrate of ammonium, sulphate of ammonium, carbide of calcium, chlorinated lime (bleaching powder), naphthaline, pitch, asphalt, stearin, shale coke, copper ore, lead ore, zinc ore, tin ore, copper, lead, zinc, tin, fooder, fertilizers and chemical fertilizers.

FOREIGN TRADE FOR 1939

The foreign trade of Manchoukuo for 1939 registered exports to the total of 826 million yuan, and imports to the total of 1,783 million yuan, resulting in an import excess of 957 million yuan. The reason for this import excess lies in the tremendous strides made in the five year industrial program, in the development of northern frontier districts, in the colonization program, in the replenishment of the national defence of Manchoukuo as well as in the undertaking of various construction enterprises. The drastic rise in the price of imports in 1939 was another important cause.

These figures, as compared with those of 1938 show an increase in exports of 100 million yuan, in imports of 508 million yuan and in the import excess of 437 million yuan. A characteristic of the 1939 trade figures is the tendency for an overwhelming increase in trade with Japan. As a result of the outbreak of the European War, Manchoukuo, through the loss of her ability to import from third Powers outside of the yen bloc, was forced to rely more upon Japan for her imports. Thus the imports from Japan aggregated over 1,500 million yuan resulting in a sharp increase of 500 million yuan as compared with 1938.

In the field of exports, as a result of the intensified demand on the part of Japan for Manchoukuo agricultural products, exports of soya beans, bean cakes, and fodder increased markedly in the latter half of 1939. As a consequence, exports to Japan increased by approximately 100 million yuan finally reaching and passing the 500 million yuan level.

As for trade with China, as a result of the marked increase in the exports of soya beans, bean oil and maize, exports increased, as over the previous year by 43 million yuan. But imports dropped by the slight margin of 6 million yuan.

In contrast to the record breaking trade with countries within the yen bloc, exports to third Powers decreased by 57 million yuan to the level of 144 million yuan as a result of the stagnation of trade with European countries. Imports also, with the exception of the favorable progress made in trade with Germany and Italy prior to the outbreak of the European hostilities, failed to increase, resulting, in the last analysis, in an import excess of 69 million yuan, an increase of 46 million yuan as compared with the figures for 1938.

Table 6. EXPORTS OF PRINCIPAL COMMODITIES

(Unit: MY1,000)						
Sulphate of Ammonium:						
	Total	Japan	China	Hongkong	D.E.I.	U.S.A.
1934	1,718	997	184	298	101	135
1935	6,051	5,207	302	282	58	173
1936	11,424	9,942	580	317	351	—
1937	9,676	8,692	482	299	153	—
1938	16,571	15,744	826	—	—	—
1939	11,777	11,072	705	—	—	—
Kaoliang:						
	Total	Japan	China	Germany	Holland	U.S.A.
1934	7,311	3,348	3,839	86	12	21
1935	3,993	2,095	1,887	—	—	11
1936	11,726	5,608	100	—	—	—
1937	9,843	6,742	115	—	—	4
1938	18,845	6,741	11,876	—	—	228
1939	27,063	16,019	11,044	—	—	—
Maize:						
	Total	Japan	China	U.S.A.	Holland	Others
1934	5,016	2,803	1,950	62	—	101
1935	1,470	514	907	32	—	17
1936	6,995	1,122	5,693	180	—	0
1937	8,526	4,397	4,122	8	—	13
1938	18,328	12,896	5,418	—	—	—
1939	29,072	16,935	12,136	—	—	—
Millet:						
	Total	Japan	China	U.K.	Germany	U.S.A.
1934	19,940	18,607	1,063	23	131	87
1935	9,050	8,439	282	15	4	300
1936	18,318	17,548	634	33	7	22
1937	13,197	12,787	1,349	8	—	12
1938	20,260	14,065	6,126	—	—	—
1939	33,694	16,896	16,666	—	—	—
Buckwheat:						
	Total	Japan	China	Germany	Belgium	Holland
1934	4,251	339	5	3,151	288	428
1935	2,494	783	4	1,107	281	286
1936	2,373	1,368	14	677	190	101
1937	2,564	872	36	1,197	80	369
1938	2,683	782	77	1,355	111	345
1939	1,853	1,557	152	114	5	14
Soya Beans:						
	Total	Japan	China	U.K.	Germany	Egypt
1934	160,349	39,651	9,031	13,714	36,258	46,179
1935	130,053	42,520	12,049	18,215	22,169	16,284
1936	216,475	72,325	18,816	21,411	34,388	50,558

(Exports: MY1,000)

Soya Beans:						
	Total	Japan	China	U.K.	Germany	Egypt
1937	226,076	86,654	6,313	4,143	42,511	76,119
1938	234,263	79,831	11,019	3,457	37,711	92,856
1939	206,584	95,492	10,414	1,278	41,044	42,079
Other Beans:						
	Total	Japan	China	Hongkong	D.E.I.	Others
1934	9,994	7,658	1,330	358	55	593
1935	13,056	10,211	1,543	505	120	677
1936	14,838	12,718	1,325	516	63	216
1937	12,542	10,755	861	627	67	299
1938	14,010	10,542	2,748	485	14	219
1939	25,704	20,210	5,447	4	—	41
Ground nuts:						
	Total	Japan	France	Germany	Holland	Italy
1934	14,129	680	1,205	2,606	3,910	1,904
1935	15,141	693	1,733	2,188	5,937	1,184
1936	16,111	1,222	556	5,335	2,834	342
1937	16,370	2,021	316	2,849	2,484	1,386
1938	12,115	6,278	275	1,049	870	93
1939	6,271	3,501	17	79	117	1,680
Hides, Skin & Leather:						
	Total	Japan	China	U.K.	U.S.A.	Others
1934	6,687	1,822	175	101	563	27
1935	4,134	2,555	230	167	1,132	50
1936	5,785	3,766	338	120	1,531	30
1937	5,368	2,865	315	289	1,557	342
1938	6,205	2,494	150	87	2,585	888
1939	4,156	1,043	2	28	—	3,082
Bristle:						
	Total	Japan	China	U.K.	Germany	U.S.A.
1934	2,146	459	529	239	68	788
1935	2,797	812	329	234	99	1,177
1936	4,404	1,194	779	234	254	1,817
1937	6,541	1,951	606	337	903	2,368
1938	5,471	942	999	292	591	2,346
1939	6,595	1,131	95	756	858	3,598
Hemp seeds:						
	Total	Japan	France	Germany	Belgium	U.S.A.
1934	4,410	934	578	1,950	118	453
1935	5,649	1,170	437	298	145	3,387
1936	3,597	716	573	161	59	1,798
1937	2,269	600	542	573	117	17
1938	3,305	785	762	998	249	41
1939	8,381	6,694	347	372	250	84
Perilla seeds:						
	Total	Japan	China	U.S.A.	Others	
1934	4,153	3,975	2	175	—	—

(Exports: MY1,000)

Perilla seeds:		Total	Japan	China	U.S.A.	Others	
1935	.....	7,533	7,355	10	166	—	
1936	.....	13,818	13,176	200	224	218	
1937	.....	7,885	7,695	88	12	91	
1938	.....	7,275	7,172	103	—	—	
1939	.....	10,872	9,862	258	—	750	
Sesamum seeds:		Total	Japan	Germany	Holland	Italy	U.S.A.
1934	.....	5,865	3,783	118	177	1,405	39
1935	.....	3,122	1,747	94	51	947	129
1936	.....	832	814	17	—	—	—
1937	.....	2,020	1,997	—	—	—	33
1938	.....	3,421	3,413	—	—	—	6
1939	.....	8,425	7,944	—	—	—	—
Castor Seed:		Total	France	Germany	Holland	Italy	U.S.A.
1934	.....	2,013	1,125	4	—	123	696
1935	.....	2,795	1,348	268	36	339	751
1936	.....	3,036	2,775	19	—	11	222
1937	.....	4,383	4,361	8	—	14	—
1938	.....	2,630	2,630	—	—	—	—
1939	.....	1,694	1,694	—	—	—	—
Sweeping (cereals):		Total	Japan	China	Others		
1934	.....	8,668	8,666	0	2		
1935	.....	3,220	3,209	0	10		
1936	.....	1,961	1,961	0	—		
1937	.....	3,209	3,197	0	12		
1938	.....	6,809	6,809	0	—		
1939	.....	7,638	7,575	62	—		
Bean Oil:		Total	Japan	China	U.K.	Germany	Holland
1934	.....	16,262	802	4,792	454	7,703	1,754
1935	.....	20,132	178	2,208	3,584	5,935	2,580
1936	.....	21,383	429	3,110	3,551	8,183	1,235
1937	.....	25,343	219	846	1,303	6,731	9,253
1938	.....	14,099	93	5,317	51	3,804	3,625
1939	.....	23,051	1,774	7,289	76	2,728	3,059
Perilla Oil:		Total	Japan	China	U.K.	Germany	U.S.A.
1934	.....	597	—	4	5	—	588
1935	.....	2,840	—	3	—	—	2,825
1936	.....	6,764	99	42	3	60	6,548
1937	.....	9,315	1	78	950	1,667	5,804
1938	.....	4,646	1	54	119	1,041	3,134
1939	.....	6,744	0	225	240	1,858	4,049

(Exports: MY1,000)

Wool, Sheep's:		Total	Japan	China	Germany	U.S.A.	Others
1934	.....	756	26	581	1	148	—
1935	.....	1,447	8	730	—	706	3
1936	.....	1,925	155	1,143	—	581	46
1937	.....	2,564	381	716	—	1,176	290
1938	.....	2,524	2,100	16	—	49	358
1939	.....	1,769	1,618	—	—	145	5
Raw Silk, wild (Excl. waste):		Total	Japan	China	Others		
1934	.....	7,409	6,675	734	—		
1935	.....	7,279	6,280	999	—		
1936	.....	6,118	4,367	1,751	—		
1937	.....	8,386	6,802	1,584	—		
1938	.....	6,257	5,645	611	—		
1939	.....	5,877	5,329	449	—		
Cotton Yarn:		Total	Japan	Brit. India	Others		
1934	.....	6,136	5,492	641	2		
1935	.....	5,624	2,616	2,024	384		
1936	.....	6,189	3,334	1,447	1,408		
1937	.....	4,468	3,693	53	724		
1938	.....	665	647	17	—		
1939	.....	0	0	0	—		
Coal & Briquettes:		Total	Japan	China	Hongkong	U.K.	Holland
1934	.....	41,956	34,660	3,777	1,371	924	334
1935	.....	40,474	34,563	2,636	1,373	1,103	267
1936	.....	35,181	31,028	2,350	535	870	311
1937	.....	35,610	31,780	1,786	769	848	324
1938	.....	28,198	26,511	1,046	24	453	29
1939	.....	25,867	24,202	1,452	0	138	—
Iron, (Pig & Kentledge):		Total	Japan	China	Hongkong	Germany	Holland
1934	.....	10,380	9,738	489	18	58	28
1935	.....	10,329	9,663	631	16	38	6
1936	.....	7,650	7,105	517	7	—	—
1937	.....	6,222	5,908	310	4	—	—
1938	.....	—	—	—	—	—	—
1939	.....	—	—	—	—	—	—
Magnesite (incl. powder):		Total	Japan	U.K.	Germany	Belgium	U.S.A.
1934	.....	643	642	—	—	—	—
1935	.....	859	774	9	4	—	—
1936	.....	1,295	854	90	83	—	—

(Exports: MY1,000)

Magnesite (incl. powder):

	Total	Japan	U.K.	Germany	Belgium	U.S.A.
1937	2,214	1,266	112	95	92	529
1938	4,773	3,544	185	208	255	283
1939	6,768	5,974	83	13	93	243

Soapstone, Talc, (incl. powder):

	Total	Japan	China	U.K.	Germany	Others
1934	535	471	43	3	13	5
1935	643	559	58	5	15	6
1936	750	621	86	3	25	15
1937	1,035	960	62	11	69	38
1938	1,237	895	74	—	156	111
1939	2,060	1,506	313	—	48	192

Window Glass, unsilvered:

	Total	Japan	China	Hongkong	D.E.I.	Others
1934	1,422	528	496	28	124	246
1935	1,671	237	922	25	119	368
1936	1,689	496	623	118	88	364
1937	1,667	33	796	189	275	374
1938	1,218	412	653	—	152	1
1939	1,059	344	658	—	—	56

Bean-Cake:

	Total	Japan	China	Holland	Germany	U.S.A.
1934	51,509	41,376	7,474	183	386	1,256
1935	51,370	38,076	9,946	30	330	1,945
1936	53,127	42,220	7,341	13	320	1,610
1937	72,236	50,292	7,713	59	301	2,896
1938	70,575	65,365	3,134	284	30	774
1939	125,253	110,923	12,378	241	52	626

Table 7. IMPORTS OF PRINCIPAL COMMODITIES

(Unit: MY1,000)

Dyes, Pigments, Paints, Varnishes, etc.:

	Total	Japan	China	Hongkong	U.K.	Germany	U.S.A.
1934	5,608	2,608	420	263	614	1,190	445
1935	6,745	3,455	287	157	458	1,751	602
1936	7,258	4,136	370	111	475	1,622	431
1937	11,598	5,778	289	102	658	3,669	732
1938	11,857	19,200	63	—	5	1,496	185
1939	15,002	12,209	9	—	1	2,718	49

	Total	Japan	China	Hongkong	Brit. India	French Indo-China
1934	7,476	2,500	1,393	543	1,534	1,464
1935	11,567	4,131	663	446	11,994	4,145
1936	12,592	1,740	3,562	756	1,318	3,489

(Import: MY1,000)

	Total	Japan	China	Hongkong	Brit. India	French Indo-China
1937	8,754	1,441	3,142	433	1,955	1,955
1938	11,393	9,173	10	0	—	—
1939	18,421	17,075	1	—	—	—

	Total	Japan	China	U.S.A.	Australia	Others
1934	57,059	13,637	6,575	1,357	20,488	1
1935	53,989	33,461	572	54	19,884	18
1936	27,116	15,184	3,291	—	8,507	133
1937	13,828	12,257	235	—	1,196	140
1938	47,089	44,071	1,379	—	—	1,638
1939	68,300	51,413	10,175	—	—	6,713

	Total	Japan	China	Hongkong	Others
1934	8,238	6,866	704	52	616
1935	8,553	8,001	272	31	249
1936	12,005	11,184	570	109	142
1937	20,585	19,637	443	217	288
1938	17,136	16,833	293	—	10
1939	47,858	46,623	1,039	—	296

	Total	Japan	China	Hongkong	D.E.I.	Others
1934	11,565	9,975	275	935	288	92
1935	12,974	11,766	66	583	518	39
1936	29,421	22,818	284	1,851	4,404	64
1937	21,293	14,604	129	531	5,827	197
1938	35,779	35,717	3	—	47	12
1939	42,396	41,812	1	—	—	584

	Total	Japan	China	Brit. India	Others
1934	3,023	865	2,084	66	8
1935	3,136	1,221	1,832	76	7
1936	3,732	1,131	2,463	124	14
1937	4,120	1,715	2,221	148	86
1938	6,228	5,127	1,089	10	3
1939	11,183	10,876	304	2	0

Wines, Beer, Spirits, Tablewaters:

	Total	Japan	China	U.K.	France	Others
1934	6,980	5,920	145	655	122	138
1935	7,965	7,099	56	545	139	126
1936	8,368	7,459	99	535	168	107
1937	9,969	8,843	45	571	343	167
1938	9,396	9,394	—	—	—	2
1939	9,956	9,944	7	—	—	4

	Total	Japan	China	U.S.S.R.	U.K.	U.S.A.
1934	2,678	443	1,527	47	577	44

(Import: MY1,000)						
Cigarettes:	Total	Japan	China	U.S.S.R.	U.K.	U.S.A.
1935	1,934	342	730	2	748	58
1936	1,202	191	484	—	310	56
1937	1,419	150	377	—	346	46
1938	1,247	1,159	0	—	35	3
1939	870	867	3	—	0	—
Leaf Tobacco:	Total	Japan	China	D.E.I.	U.S.A.	Others
1934	8,558	553	4,395	348	3,549	13
1935	6,067	411	3,250	—	1,841	216
1936	8,848	463	5,072	—	3,113	200
1937	7,597	407	3,566	—	3,202	422
1938	7,739	634	4,737	—	2,215	152
1939	8,085	3,660	4,278	—	106	40
Timber & Wood:	Total	Japan	China	Hongkong	U.S.A.	Canada
1934	17,499	11,781	306	38	4,937	115
1935	14,310	10,137	178	31	3,283	202
1936	11,746	9,061	379	44	1,887	102
1937	14,888	11,262	405	40	2,143	22
1938	23,968	20,728	98	—	—	3,141
1939	76,151	73,395	233	—	—	2,524
Raw Cotton:	Total	Japan	Brit. India	China	U.S.A.	Others
1934	12,284	457	10,262	511	10,262	15
1935	9,407	60	8,046	1,098	8,046	0
1936	18,601	28	13,862	3,431	837	443
1937	32,202	44	22,340	3,630	4,962	1,227
1938	42,664	35	6,815	28,021	7,678	116
1939	9,043	105	3,126	5,260	552	—
Raw Jute:	Total	Japan	China	Brit. India	Others	
1934	2,375	16	307	2,051	1	
1935	2,063	31	49	1,982	1	
1936	2,596	68	22	2,504	2	
1937	2,734	13	24	3,696	1	
1938	2,665	3	21	2,640	1	
1939	3,334	2	8	3,324	—	
Woolen Yarn & Cord:	Total	Japan	China	U.K.	Others	
1934	2,549	2,280	—	236	33	
1935	2,030	1,992	—	36	38	
1936	3,467	3,389	—	70	8	
1937	7,552	7,445	—	104	103	
1938	8,352	8,288	31	31	3	
1939	5,552	5,434	115	1	1	

(Import: MY1,000)						
Cotton Yarn:	Total	Japan	China	U.S.S.R.	U.K.	Others
1934	12,533	5,439	7,055	—	—	44
1935	7,938	5,400	2,538	—	—	0
1936	7,699	7,026	673	—	—	—
1937	10,740	10,207	533	—	—	—
1938	4,771	4,605	126	—	—	39
1939	4,184	4,038	145	—	—	—
Cotton Piece-goods (Grey):	Total	Japan	China	U.K.	Others	
1934	17,154	14,987	2,150	2	14	
1935	24,626	23,710	914	1	1	
1936	32,048	31,058	987	—	3	
1937	42,771	42,107	663	—	2	
1938	34,050	34,009	40	—	1	
1939	3,143	3,016	128	—	0	
Cotton Piece-goods (white or dyed):	Total	Japan	China	U.K.	Others	
1934	27,511	25,313	66	105	57	
1935	25,251	24,874	31	73	26	
1936	40,769	40,243	91	55	8	
1937	44,435	44,066	41	81	39	
1938	30,692	30,662	24	—	6	
1939	3,357	3,280	69	—	7	
Cotton Piece-goods (printed):	Total	Japan	China	U.S.S.R.	U.K.	Others
1934	10,948	10,700	66	170	9	2
1935	7,483	7,448	31	—	4	1
1936	11,789	11,696	91	—	—	2
1937	13,934	13,891	41	—	—	3
1938	11,061	11,059	1	—	—	1
1939	1,727	1,723	—	—	—	—
Woolen Piece-goods:	Total	Japan	U.K.	Germany	Poland	U.S.A.
1934	9,551	7,762	988	165	530	32
1935	11,343	9,317	831	233	696	129
1936	15,801	14,403	761	126	544	15
1937	18,998	16,715	1,089	109	842	6
1938	22,811	21,712	306	—	515	—
1939	36,232	35,891	26	—	121	—
Rayon Piece-goods:	Total	Japan	China	Italy	Others	
1934	10,824	10,723	16	36	48	
1935	8,051	6,993	24	1,014	20	

(Import: MY1,000)

Rayon Piece-goods: Total		Japan	China	Italy	Others	
1936	15,801	14,403	0	1,397	—	—
1937	2,130	1,514	0	616	—	—
1938	56,816	56,808	6	—	—	2
1939	107,612	107,431	181	—	—	0
Silk Piece-goods: Total		Japan	China	U.K.	France	Germany
1934	11,111	9,660	1,402	21	6	5
1935	19,709	19,302	371	11	7	12
1936	35,683	35,309	299	23	15	25
1937	30,646	30,215	329	19	12	13
1938	4,523	4,387	88	—	—	—
1939	17,588	16,648	889	—	—	—
Gunny Bags: Total		Japan	China	Hongkong	Brit. India	Others
1934	16,134	5,314	518	725	9,566	11
1935	14,641	3,753	110	241	10,537	0
1936	14,025	4,256	191	120	9,456	—
1937	19,274	3,742	163	55	15,314	—
1938	20,838	2,441	227	—	18,125	46
1939	33,313	18,493	294	—	14,508	18
Footwear: Total		Japan	China	Others		
1934	5,530	5,499	12	—	19	
1935	8,438	8,414	7	—	17	
1936	8,607	8,581	14	—	12	
1937	11,677	11,624	26	—	27	
1938	9,710	9,703	5	—	2	
1939	6,468	6,437	31	—	0	
Paper: Total		Japan	China	Germany	Sweden	Others
1934	12,139	952	2,075	148	176	100
1935	12,959	10,971	1,220	270	188	77
1936	16,793	14,171	1,788	135	87	238
1937	24,865	21,416	1,629	84	375	179
1938	35,842	22,570	1,476	—	301	273
1939	49,589	47,906	1,117	—	20	544
Cement: Total		Japan	China	U.S.S.R.	Others	
1934	7,901	7,803	97	0	—	0
1935	3,543	3,540	3	—	—	0
1936	3,437	3,434	3	—	—	0
1937	1,068	1,055	4	—	—	8
1938	4,230	4,165	62	—	—	3
1939	11,764	11,625	84	—	—	54
Gasoline, Naphta & Benzine, mineral: Total		Japan	Roumania	D.E.I.	Brit. Borneo	U.S.A.
1934	9,865	378	—	1,593	691	6,728

(Import: MY1,000)

Gasoline, Naphta & Benzine, mineral: Total		Japan	Roumania	D.E.I.	Brit. Borneo	U.S.A.	
1935	5,375	765	—	1,680	5	2,909	
1936	1,970	422	—	434	—	914	
1937	7,145	1,082	2,272	760	—	2,923	
1938	(not released)	—	—	—	—	—	
Kerosene Oil: Total		Japan	D.E.I.	Brit. Borneo	U.S.A.	Others	
1934	11,621	595	3,798	63	5,881	20	
1935	2,228	328	234	1	1,626	—	
1936	1,740	1,625	21	—	95	—	
1937	6,707	2,252	95	19	3,520	804	
1938	(not released)	—	—	—	—	—	
Copper: Total		Japan	China	U.S.A.	Others		
1934	4,440	4,185	22	178	—	55	
1935	4,463	4,275	0	167	—	22	
1936	2,661	2,538	50	69	—	4	
1937	6,177	5,281	70	824	—	2	
1938	9,240	6,303	653	2,228	—	56	
1939	9,904	6,159	212	3,508	—	26	
Iron & Steel: Total		Japan	U.K.	Germany	Belgium	U.S.A.	
1934	52,227	48,218	1,045	5,609	494	2,078	
1935	51,540	42,545	1,078	5,203	1,237	1,243	
1936	39,506	35,801	154	1,558	586	1,001	
1937	76,429	55,859	961	2,153	3,329	9,589	
1938	122,076	70,465	—	4,889	3,741	34,894	
1939	104,525	82,460	—	7,055	830	12,179	
All kinds of Machineries: Total		Japan	China	U.K.	Germany	U.S.A.	
1934	70,640	59,835	812	1,951	2,368	4,425	
1935	89,738	78,126	852	2,363	3,261	4,319	
1936	110,280	95,152	603	2,345	4,874	4,519	
1937	158,925	135,785	720	3,666	4,454	11,528	
1938	68,838	59,895	174	2,871	499	68	
1939	102,606	86,712	472	2,493	1,699	25	
Of which 1939:		Total	Japan	China	U.K.	Germany	U.S.A.
Meters, gauges, etc. . .	7,693	7,290	6	—	271	—	
Batteries	4,638	4,597	12	—	—	25	
Optical, Medical and other Scientific Machineries	8,311	5,621	141	—	—	—	
Boilers, etc.	11,597	7,293	25	2,493	1,428	—	

(Continued)	Total	Japan	China	U.K.	Germany	U.S.A.
(Imports: MY1,000)						
Magnetos, motors, and other electric machineries	17,270	13,017	10	—	—	—
Transformers and converters	6,969	6,881	5	—	—	—
Electric communication instruments	10,092	9,849	1	—	—	—
Bicycles and parts ..	8,339	8,185	148	—	5	0
Pumps (including ventilating machines and gas compressors) ..	14,345	12,284	3	—	—	—
Chain, Hoists, Cranes, etc.	10,114	8,881	0	—	—	—
Total incl. others ..	102,606	86,712	472	2,493	1,699	25
Metalwares:	Total	Japan	China	Germany		Others
1938	47,451	46,093	25	355	—	532
1939	80,973	77,879	325	786	—	1,983
Of which 1939:	Total	Japan	China	Germany		Others
Nails, etc.	12,804	12,428	286	—	—	108
Cables	8,479	7,890	1	498	—	90
Insulating Wire	26,728	26,681	33	—	—	—
Construction Materials for Bridges, Railways and Buildings	12,859	11,324	5	—	—	1,530
Door Checks, Locks, Hinges and Fittings	6,341	6,273	9	—	—	60
Tools and Implements	13,762	13,283	9	288	—	182
Total	80,973	77,879	325	786	—	1,983
Toys & Games:	Total	Japan	China	Germany	U.S.A.	Others
1934	909	750	112	12	3	32
1935	1,130	971	91	30	14	24
1936	1,137	1,019	84	12	11	11
1937	1,343	1,165	65	25	73	25
1938	1,490	1,458	25	—	—	7
1939	1,904	1,892	11	—	—	0

CHAPTER XI PEACE PRESERVATION

Military System

The present military system in Manchoukuo is based on voluntary service. However, in view of the insecurity of the international situation where a need for real power is keenly felt in a rising state like Manchoukuo, it has been decided to enforce a conscription system from 1941 in order to improve the standard of the Manchou soldiers and to train them to become the backbone of the nation. For this purpose the National Army Law was promulgated on April 11, 1940 and enforced from April 15 by an Imperial ordinance. According to the provisions of this new law, all male subjects upon attaining the age of 19 years are required to undergo physical examinations for conscription.

The period of service is three years during which emphasis is to be laid upon moral training as well as upon mastery of fighting technique in order to fit the soldiers for the task of national defence.

The Condition of the National Army and its Fighting Power

Supreme command over the Manchoukuo Army is vested in His Majesty the Emperor. Under the terms of the Japan-Manchoukuo Protocol of September 15, 1932 the defence of Manchoukuo territory is entrusted jointly to the National Army of Manchoukuo and the Imperial Japanese Forces. This relationship of mutual defence between the armed forces of the two allied Empires has subsequently been strengthened by a supplementary agreement.

The National Army of Manchoukuo, differing from the armies of other Powers, consists of the army proper comprising the infantry, cavalry, artillery, engineer and the transport corps, the air force, the navy known as the river force, and of various auxiliary arms. The infantry and cavalry constitute the main strength

of the fighting forces in both defence and attack.

The air force and the river force, together with two other types of corps, the anti-aircraft corps and the automobile corps are regarded in the Manchoukuo National Army as special units. The air force has its air defence headquarters in Hsinking, and air squadrons and anti-aircraft battery units under its direct command, in the principal cities of the country for the defence of these key centres from air raids. The air fleets as well as the anti-aircraft batteries meeting their first serious test in the series of border clashes in the Nomonhan area along the Manchou-Mongol frontier in 1939 came through with flying colours.

Fully aware of the important role assumed by the air force in modern warfare, the military authorities of Manchoukuo have been pushing forward plans for its reinforcement and expansion in a big way. Under the Army Aviation School Ordinance promulgated sometime ago, an aviation school is scheduled to be opened in the outskirts of Mukden about August, 1940. The staff of this new flying school has already been elected.

Table 1. MILITARY EDUCATIONAL ORGANS

	(1940)	Established	Location
Gendamerie Training Institute	July, 1936		Hsinking
Military Academy	April, 1939		Hsinking
Military Hsingan School	July, 1934		Wangyehmiao
Military Veterinary School	May, 1935		Harbin
Military Ordnance School	March, 1938		Hsinking
Military Aviation School	April, 1938		Mukden

Table 2. LOCATION OF ARMY HEADQUARTERS

The First Army Headquarters	Mukden
The Second " "	Kirin
The Third " "	Tsitsihar
The Fourth " "	Harbin
The Fifth " "	Jehol
The Sixth " "	Mutankiang
The Seventh " "	Chiamussu
The Eighth " "	Tunghua
The Ninth " "	Tungliang
The Tenth " "	Hailar
The River Defense Headquarters	Harbin

River Force

Manchoukuo's navy originally consisted of a river defence fleet engaged in the patrol of inland waterways and border rivers. It cooperated closely with the Provisional Defence Force of the Japanese Navy operating in Manchoukuo. But with the withdrawal of this Japanese force from Manchoukuo in December 1938, the river defence fleet of Manchoukuo was renamed the River Force in February of the following year, and incorporated within the National Army. The headquarters of the river force is located in Harbin.

The main duty of the river force is to patrol the border rivers of the country, besides maintaining peace and order in the basins of the principal rivers. Its other tasks include the convoying of transport ships, the protection of forestry and fishing enterprises, conducting investigations and collecting data and information concerning military strategy. When the rivers freeze during the winter season, the various warships belonging to the river force are tied up for the winter at Harbin and other places. The crew of these vessels busy themselves by engaging in patrol duty in the vicinity of these places, while also going through various forms of training, examining and repairing their arms and other equipment, and in general keeping their ships in good condition.

Automobile Corps

The automobile corps today consists of several independent units, each with a considerable number of cars. Since its organization the corps has distinguished itself by transporting troops, provisions and ammunition in anti-bandit campaigns in the Tung-pientao and Sankiang districts, in the recent border fighting in the Nomonhan region, and in hostilities in North China and Inner Mongolia.

Mongol Forces

An important element within the Manchoukuo Army is the Mongol forces, which are stationed in the four Hsingan provinces for maintaining peace and order in these Mongol districts.

Bandit Suppression

The betterment in national defense, as compared with the condition obtaining in the former regime, is reflected in the strides taken in the suppression of bandit activity. At the time of the founding of Manchoukuo in 1932 the total number of bandits exceeded 300,000. Since then the number of bandits has steadily decreased and in 1939 it was estimated that only 3,200 were at large.

Table 3. RESULTS OF BANDIT SUPPRESSION
(1939)

No. of Engagements	631	Heavy Machine-gun	5
No. of Bandits (estimate)	3,200	Machine-gun	13
Hostages saved	142	Field-gun	17
Enemy's loss:		Automatic rifle	1
Killed	1,996	Trench Mortar	3
Wounded	871	Grenade	230
Captured	227	Horse	439
Surrendered	357	Shelters demolished	422
Enemy's arms seized:		Various cereals	numerous
Rifle	925	State Army's loss:	
Pistol	254	Officers killed	16
Rifle shot	43,350	Officers wounded	29
Pistol shot	2,670	Soldiers killed	203
		Soldiers wounded	364

Department of Public Peace

In order to facilitate co-defence with the Japanese Army, the Manchoukuo Army has adopted the same basis for its tactics as the former. But the supreme organ of military administration and military command, which controls the Manchoukuo Army, is the Department of Public Peace headed by General Yu Shen-chang, a soldier well known as an outstanding strategist and an able military administrator. As Minister of Public Peace, General Yu is responsible for the replenishment and expansion of the National Army, its education and training. He controls both the military administration and the military command.

For the maintenance of peace and order the entire country is divided into ten military districts, each headed by a commander with fighting experience at both home and abroad. Each commander has command over the various forces within his jurisdic-

tion. It is his duty to see to it that nothing is neglected so that in the event of war, he may take to the field with his men and fully discharge the duty imposed upon him.

In addition to the armies in the military districts, the Minister of Public Peace has under his direct command, various powerful army corps, namely, the mechanized army corps, the army air corps, the river fighting corps, the special service corps and the gendarmerie—army corps which he constantly strives to improve.

Treatment of Officers and Men

Since the organization of the National Army the question of payment, food and clothing has been considered with the greatest care. The first important step towards the improvement of the treatment of officers and men was taken in June 1939 when the Army Pay Ordinance was promulgated, under which marked changes for the better were introduced in the various allowances for the officers and men of the National Army. The pay for both officers and men was increased, new allowances were introduced, the system of furnishing fixed amounts of provisions and fodder was inaugurated, and the allotments of clothing and other articles were raised.

Furthermore, in case of necessity, officers and men may live outside of their barracks. In such cases they are entitled to an increase in pay by 15 yuan. There is also a system of allowances paid according to the localities where the officers and men serve, and special allowances for those in the air force or other technical arms of the service. Special allowances are paid also during anti-bandit operations and in time of war.

In the past a monthly food-allowance of 6.50 yuan was paid. This system of paying in cash, however, was later abandoned in favour of a system of providing each officer and man with a fixed amount of food, in view of the possibility that the fixed monthly allowance may not be sufficient for buying the required amount of food should the rise of commodity prices continue. In quality the food allotted to the National Army in no way differs from the staple diet of the middle class.

The barracks and other buildings used by the National Army, with the exception of a very small part, are gradually being re-

built, and in the near future their reconstruction into imposing structures will be completed.

Table 4. TERM OF POSTS

(A) Officers		Ranks:		Period
Ranks	Period	Lieutenant	Sub-Lieutenant	
Lieut.-General	3 years	.....	.....	2 years
Major-General	3 "	.....	.....	1 "
Colonel	3 "	(B) Non-commissioned Officers		
Lieut.-Colonel	2 "	Sergeant-major	.....	3 years
Major	2 "	Sergeant	.....	2 "
Captain	3 "	Corporal	.....	1 "

Outline of the Manchoukuo Police Force

The hasty restoration of public peace and order was not the only task imposed upon the Manchoukuo police force. The guardians of law and order, in view of the complex racial make-up of the new State, were also entrusted from the outset with the heavy responsibility of serving as a model of racial harmony and a personification of the spirit underlying the foundation of the new State.

Immediately following its establishment, the Government of Manchoukuo embarked upon the reorganization of the corrupt and inefficient police system, which it had taken over from the warlord regime of the Changs. One of the first acts of the new Government was to place the entire police organization of the country, with the exception of the police force of the Hsingan Province, under the unified control of the Department of Civil Affairs. In the Special Municipalities of Hsinking and Harbin, special police boards were organized and placed under the direct jurisdiction of the same Department. Along with the reorganization of the local administrative system in 1934, and the abolition of the North Manchuria Special District the following year, and other revisions in the central and local systems of government, numerous reforms were also instituted in the police system of the country. But the principle of unified command over the central, provincial, and hsien (prefectural) police forces remained intact.

In practically every reform undertaken by Manchoukuo, the new State has been fortunate in having the unstinted assistance

and cooperation of its ally, Japan. In 1937 Japan again came forward to pave the way for the further progress of Manchoukuo by voluntarily cancelling its extraterritorial rights in the new State, and transferring the administrative powers it had enjoyed in the railway zone to the Manchoukuo Government. This important move by Japan, indicating its faith in the new State, contributed enormously to the general development of Manchoukuo as a law-governed, independent State. The withdrawal of the Japanese police forces throughout the country, which the abolition of extraterritoriality involved, furthermore resulted in an epochal expansion of the national police force, doubling its strength and contributing to a marked elevation of its standard.

In the early stages of Manchoukuo, extra police precautions had to be taken for maintaining public peace. For this reason border police forces were stationed at such frontier outposts as Manchouli, Heiho and Suifengho (Pogranichnaya). Special mobile police squads were also organized in Hsinking and Harbin, and a water police force, in Yinkow. With the improvement and expansion of the regular local police forces and the stabilization of conditions throughout the country, these special police units were finally abolished in 1935.

Table 5. NUMBER OF POLICE STATIONS AND OFFICERS
(Sept., 1937)

Hsien:	Police Station	Branch Office	Officers		Total
			Japanese	Manchoukuoan	
Kirin	111	341	480	12,196	12,676
Lungkiang	132	342	241	7,275	7,516
Heio	17	45	165	708	873
Sankiang	80	93	285	6,091	6,376
Pinkiang	122	375	385	12,505	12,890
Chientao	33	176	232	2,622	2,854
Antung	49	154	139	4,298	4,437
Fengtien	193	1,135	564	17,180	17,744
Chinchow	94	341	277	6,475	6,752
Jehol	114	291	381	5,357	5,738
Mutankiang	41	45	299	7,286	7,585
Tunghua	57	160	283	5,409	5,692
Hsingan, East	5	—	30	197	227
" West	24	—	37	1,305	1,342
" South	36	—	56	1,845	1,901
" North	14	—	62	241	303
Total	1,122	3,493	3,916	90,990	94,906

Water Police Bureaus

Fengtien Province	{ Yalu & Han Rivers Water Police Bureau Liaoho Water Police Bureau
Kirin Province	{ Sungari Upper Water Police Bureau Sungari Lower Water Police Bureau

Central Police Organs

The supreme organ for control of all affairs relating to national defence, strategy and the survey of land and waterways, is the Department of Public Peace which was created by the general reform of the central administrative structure on July 1, 1937. The former Bureau of Police Affairs of the Department of Civil Affairs was transferred to this new department. The reform was of much importance, for it resulted in unified control of the National Army and the national police force.

The structure of the Bureau of Police Affairs itself was, moreover, rationalized. The past judicial Section was divided into the Patrol and Criminal Sections, and a new Censorship and a Training Supervision Sections were established. These reforms constituting the second police force since the foundation of Manchoukuo, served to raise the standard of the police force and place its functions on a rational basis.

The Bureau of Police Affairs now comprises five sections, Police Affairs, Special Service, Peace Preservation, Criminal and Training, respectively, and the Military Reward Office.

Local Police Organs

The Metropolitan Police Board in Hsinking functions under the direct control of the Prime Minister. Entrusted as it is with the preservation of public peace in the political, social and economic nerve centre of the country, it has an extremely important duty to fulfill. It was reorganized and strengthened as part of the general administrative reorganization of July 1937. Each province has its own police board, and each hsien, a police bureau and a number of police stations.

As special police forces there are the forest police force and the marine police force. The former was organized in 1935 to clear the mountainous and dense forest areas of Manchoukuo of brigands and of such lawless elements, whose activities had proved a

serious obstacle to the development of the lumbering industry. The forest police force has played an important role in the exploitation of the rich forest resources of the new Empire.

The coastal police force was renamed the marine police force in 1937. It patrols the seas in search of smugglers, besides maintaining a constant vigil against the unlawful entry of aliens into the country, and against poaching by fishermen.

Finger-print Supervision Bureaus

For taking charge of the finger-prints handled by the Police Affairs Bureaus, special Finger-print Supervision Bureaus were created in 1939. These consist of the Finger-print Supervision Bureaus of the Central Government under the jurisdiction of the Minister of Public Peace, and a similar bureau in the police board of each provincial government, and in the Metropolitan Police Board. The combined staff of these finger-print bureaus today exceeds 500.

These bureaus were originally entrusted with custody of the original copies of finger-prints of criminals, and of laborers for use on their registration cards. The work of these bureaus was later increased, when the supervision of finger-prints for the registration of people with technical talent was also handed over to them under the National Mobilization Law. In all about a million copies of finger-prints are now kept by the different finger-print supervision bureaus.

In a country such as Manchoukuo, composed of divers races, finger-prints serve as a highly important means for the identification of individuals. Their use was at first limited to the identification of criminals and to the finding out of personal history of similar types of people. Today finger-prints are widely used in Manchoukuo also for the prevention of the unwarranted transfer of laborers from one occupation or one locality to another, in line with the Government's labour control policy. Another recent use to which finger-prints are put is the establishment of the identity of people with technical talent, whose registration with the authorities has become compulsory under the National Mobilization Law. In both respects finger-prints have proved of great value.

The impression of one finger has in the past been used with good results on residential certificates. From 1940 the Govern-

ment has decided to use it also on census registers. The racial diversity of Manchoukuo is gradually expanding the uses of fingerprints, and increasing their importance to the authorities as well as the public.

Although only eight years have elapsed since the organization of the Manchoukuo police force, it has been improved and expanded to such an extent through constant effort that it today offers no comparison to the police force of the early days of the new State. The authorities have in particular paid unfailing attention to the advancement of the standard of the police officers. Most of the duties of the police officer, such as patrolling the streets, making investigations, questioning or admonishing people have for their object the maintenance of public peace and order. But the most important thing for preserving order in society is to foster among the public a will to do what is just, and to avoid the ways of evil. The vital task, however, can be fulfilled by the police only when they are properly trained and educated. The Bureau of Police Affairs of the Central Government has consequently mapped out a comprehensive plan for training the guardians of the law. This plan has been in effect since the beginning of 1938.

Under this plan a Training Supervision Section has been established within the Police Affairs Bureau of the Central Government, while the central and local police training schools have been greatly expanded. Various special lectures are given from time to time, and increasing attention is being paid to the re-education and training of officers of the law. The compilation of new text books, and the publication and distribution of magazines and other reading matter of informative and instructive nature among the police forces throughout the country are also being undertaken as part of the program for raising the standard of the police.

The police officers of Manchoukuo are being trained to discharge their duties with the conviction that they are acting as builders of a model state and as leaders of a new progressive nation. Today the 100,000 officers of the law who comprise the Manchoukuo police force are engaged in their tasks conscious of their heavy responsibilities.

In order to enable them to devote themselves to their duties without financial anxiety, improvement has been made in their

regular pay as well as in various allowances. Special allowances of ample nature are paid to those on duty in remote places or engaged in dangerous tasks. And in the case of injury or death resulting from the pursuit of one's duty, a relief fund is paid to the injured or to the family of the deceased officer. Should the condition of the injured officer, even after recovery, be such that he is no longer suited for the role of police officer, he will be transferred to a suitable occupation through the good offices of the authorities.

Auxiliary Organ of the Police Force

As an auxiliary organ of the police force Manchoukuo has a unique, self-protective institution known as the "paochia". The hsien, cities, towns and villages throughout the country are divided into three units, each with a fixed number of households, known as "pao", "chia" and "pi". These organizations created for the purpose of mutual defence, thrive on the principle of good neighbourliness and mutual cooperation. With their respective units these organizations maintain peace and order, and assist the police in times of unexpected danger. In the transitional stages of local self-government they have also served to supplement its deficiencies, besides being usefully employed by various State establishments.

The "paochia" system was inaugurated in January 1934 under an Imperial Ordinance promulgated in December 1933. Functioning in all provinces with the exception of the four Mongol provinces of Hsingan, the "paochia" system operates in the following manner: ten or less than 10 households are organized into a "pi", and such "pi" within a village or a district corresponding thereto are incorporated into a "chia", and "chia" within the jurisdiction of a police station comprise a "pao".

Later because of the need of adjusting the relationship between these "paochia" organizations and the local administrations, the areas of the "pao" and the "chia" were reduced. Each village or a district corresponding to it was organized into a "pao", and a "tun" (hamlet), into a "chia". The unit of each "pi", however, remained unchanged. Each "pao" is headed by a "pao-chang", assisted by a "fu-pao-chang" (vice-chief), each "chia" by a "chia-chan", all of whom are in charge of affairs in their

Article 8. The period of service of military bandmen shall be four years and shall be computed from April 1 of the year in which they enlisted.

Article 9. Those completing their term of service may upon application extend their period of enlistment until they are 30 years of age.

Chapter 2. Military Service

Article 13. National soldiers shall be registered in the detachments to which they belong.

Article 14. Those enlisting in the National Army will not receive upon enlistment, any special official document, and shall become, from the day of enlistment, second-class privates. Their promotion after enlistment in the Army shall be decided upon by the Minister of Public Peace.

Article 16. The period of service may be shortened by the Minister of Public Peace only in cases which he deems as not causing any interference from a military standpoint.

Chapter 3. Enlistment

Article 21. Conscription supervisory districts shall be the same as army districts. Conscription districts shall be decided upon by the Minister of Public Peace.

Article 32. The Minister of Public Peace shall apportion the number of national soldiers to be enlisted each year in each conscription supervisory district.

In accordance with the above provision, the commander of army district shall allot the number of national soldiers to be enlisted in each conscription district within his jurisdiction.

Article 40. Physical examinations shall be held in the physical examination office established within the conscription office in each conscription district.

Article 41. In accordance with the provisions of Article 25 of the National Army Law, exemptions from military service shall be made in the following cases of sickness or physical and mental deformities:

1. Deformity of the entire body.
2. Cases of mental sickness requiring supervision or protection.
3. Leprosy.

4. Poor eyesight.

5. Total deafness.

6. Dumbness.

7. Dislocation of arms or legs and loss of one arm or leg.

Article 48. Those living outside the conscription districts where they are domiciled may upon application undergo physical examination in other districts.

Article 55. Those whose conscription as national soldiers has been decided upon, shall enter the Army by decision of the Minister of Public Peace.

Supplementary Regulations

The present Ordinance shall be enforced from April 15, 1940.

Imperial Edict On New Army Law

The full text of the Edict follows:

"The solidity of the foundation of a country always depends upon harmony of the people, and the rising fortunes of the State upon the well-tempered strength of the national army. For this reason, soldiers were picked from noble tillers of the soil in olden days. The people of the land as a whole were called upon to form the backbone of defence of the country and made responsible for repulsing alien invasion, while every person living on the yield of the earth was taught to honor the profession of farming. All their thoughts were centred upon the welfare and security of the State, while they never lost sight of their public duty. Hence their perfect defence in time of peace, and absolute security at every call of emergency. We have ample illustrations of this good law and beautiful spirit.

"Our land has early been knit in one moral kinship with the Empire of Japan, and this tie has been strengthened by the pledge of common defence. The system of the National Army admits of no variation in its fundamental principle; far less considering the present situation in East Asia and the unprecedented work of creation now starting in this part of the world, which depends entirely on the united strength of the two nations of Manchoukuo and Japan. Meditating deep upon this point, we have hereby caused the enactment of the National Army Law on the basis of

the Organization Law, Article 30, and have caused its promulgation by the competent officials after due reference to the Privy Council.

"All our subjects are desired to appreciate faithfully the real meaning of the present Law, wisely judge the development of the times and enhance their patriotic spirit: We urge you to devote yourselves to public service, strengthen the imperishable basis of the State, enhance the national prestige as the cynosure of all nations and thus carry out the true object of the foundation of our Empire."

The Imperial Signature and Seal.

The Eleventh of April in the Seventh Year of Kangte.

Countersigned by

The Prime Minister.

The Minister of Public Peace.

The Minister of People's Welfare.

NATIONAL MOBILIZATION LAW

The Manchoukuo Government formally promulgated the National Mobilization Law aimed at placing the Empire on a war-time footing on February 26, 1938. An unofficial translation of the law proper, namely, Articles 1 to 29 inclusive, is given below:

Article 1. The present law is aimed to control and utilize man-power and material resources in wartime or in an emergency so as to display most effectively the entire power of the country in national defence.

Article 2. By national mobilization commodities and resources as mentioned in the present law are meant the following:

- (1) Arms, fighting vessels, aircraft, ammunition and other similar military resources.
- (2) Clothing, foodstuffs and animal meat necessary for national mobilization.
- (3) Medicines, medical instruments, other sanitary commodities and veterinary articles.
- (4) Ships, rolling-stock, horses and other means of conveyance necessary for national mobilization.
- (5) Facilities for communication purposes necessary for national mobilization.
- (6) Civil engineering building and lighting materials necessary for national mobilization.
- (7) Fuel and electricity necessary for national mobilization.
- (8) Machines, implements, equipment, raw materials and materials for

the production, repairing, preservation and operation of the objects specified in the foregoing items.

- (9) Gold or silver bullion or alloys and articles made principally of gold or silver.
- (10) Commodities and materials to be specified by Imperial Ordinances other than those enumerated in all the foregoing items.

Article 3. Whenever necessary in wartime or in an emergency, the Government in accordance with Imperial ordinances may manage, use or expropriate the whole or part of the objects specified in the following items:

- (1) Factories and enterprises producing and repairing the commodities and resources necessary for national mobilization and the auxiliary facilities thereof.
- (2) Factories transmutable into such factories and auxiliary facilities thereof as referred to in the preceding item.
- (3) Transport facilities, sea, land and air.
- (4) Communication facilities.
- (5) Medical and sanitary facilities.
- (6) Water supply facilities.
- (7) Experimental or research institutions.
- (8) Lands, houses, godowns, others establishments and auxiliary facilities thereof necessary for the production, repairing and storing of national mobilization commodities and resources or for the the purposes enumerated in the foregoing items.

In case the Government uses or requisitions the objects specified in the preceding article, it may also utilize their employees simultaneously.

Article 4. In case the objects expropriated in accordance with the preceding article become unnecessary and are disposed of by the Government within five years of the expropriation thereof, their old owners or the successors thereto shall be given preference in the purchase of the said object.

Article 5. The provisions of the two preceding articles shall be applied to the utilization and expropriation of the objects designated in the following items:

- (1) Rights of industrial ownership;
- (2) Mining rights and mining leases
- and (3) Rights relating to the use of water.

Article 6. The Government, when necessary in wartime or in an emergency for national mobilization may be empowered by Imperial Ordinance to issue necessary orders and other measures to persons managing the enterprises designated in Item 1 of Article 3 with regard to the discontinuance of part or whole of the said enterprises, the restriction or prohibition of the suspension thereof and the production and repairing of national mobilization commodities and resources.

Article 7. The Government, whenever necessary in wartime or in an emergency for national mobilization may be empowered by Imperial Ordinance to issue necessary orders and measures to persons managing the enterprises designated in Item I of Article 3 with regard to the establishment of new production facilities and expansion or improvement of such facilities.

Article 8. The Government, whenever necessary in wartime or in emergency for national mobilization may be empowered by Imperial Ordinance to utilize or expropriate national mobilization commodities and resources.

Article 9. The Government, whenever necessary in wartime or in emergency for National Mobilization may be empowered by Imperial Ordinance to cause persons engaging in the production, sale, import and supply of national mobilization commodities and resources to keep in stock fixed quantities of the said commodities or of raw materials therefor.

Article 10. The Government, whenever necessary in wartime or in an emergency for national mobilization, may be empowered by Imperial Ordinance to issue orders to persons operating important enterprises for the establishment or revision of control agreements among themselves or order said persons to abide by such control agreements.

Article 11. The Government, whenever necessary in wartime or in an emergency for national mobilization, may be empowered by Imperial Ordinance to order the establishment of associations or corporations in connection with important enterprises or the management thereof or to cause existing corporations, associations and other organizations to control such enterprises.

Associations to be established in accordance with the provision of the foregoing item shall be judicial persons.

Article 12. The Government, whenever necessary in wartime or in an emergency for national mobilization, may be empowered by Imperial Ordinance to restrict or prohibit construction jobs, enterprises or business.

Article 13. The Government, whenever necessary in wartime or in an emergency for national mobilization, may be empowered by Imperial Ordinance to issue necessary orders or take measures with regard to the utilization, consumption, transfer, possession, custody and removal of national mobilization commodities and resources.

This stipulation shall apply also to the utilization and transfer of lands.

Article 14. The Government, whenever necessary in wartime or in an emergency for national mobilization, may be empowered by Imperial Ordinance to issue necessary orders in regard to commodity prices, transport charges, storage insurance premiums, rentals, and other similar charges.

Article 15. The Government, whenever necessary in wartime or in an emergency for national mobilization, may be empowered by Imperial Ordinance to restrict or prohibit the acquisition or disposal of foreign currencies or of claims and debts indicated in terms of foreign currencies or the acquisition or disposal by foreign residents in the country of Japanese currency or of claims and debts indicated in terms thereof.

Article 16. The Government, whenever necessary in wartime or in an emergency for national mobilization, may be empowered by Imperial Ordinance to order the importation and exportation of commodities, restrict or prohibit imports and exports or exempt imported or exported goods from Customs duties regardless of the provisions of the laws pertaining to the Customs tariff.

Article 17. The Government, whenever necessary in wartime or in an emergency for national mobilization, may be empowered by Imperial Ordinance to decrease or discontinue any domestic taxes, and other public levies and dues or to postpone the payment thereof, regardless of the provisions of laws relevant thereto.

Article 18. The Government, whenever necessary in wartime or in an emergency for national mobilization, may be empowered by Imperial Ordinance to issue to banking corporations and other financial organizations necessary orders regarding the utilization of funds and money rates or restrict and prohibit the establishment of corporations, payments on unpaid shares, capital increases, the flotation of debentures the borrowing of funds, and the payment of corporation dividends.

Article 19. The Government, whenever necessary in wartime or in an emergency for national mobilization, may be empowered by Imperial Ordinance to issue necessary orders in regard to the possession of public bond or increase in corporation reserve funds and restrict and prohibit bank deposit withdrawals and transactions in negotiable securities.

Article 20. The Government, whenever necessary in wartime or in an emergency for national mobilization, may be empowered by Imperial Ordinance and regardless of other laws and regulations to order the flotation of corporation debentures and the expropriation and use of lands.

Article 21. The Government, whenever necessary in wartime or in an emergency for national mobilization, may be empowered by Imperial Ordinance to press into service the subjects of the Empire to engage in jobs to be specified by the Government.

Article 22. The Government, whenever necessary in wartime or in an emergency for national mobilization, may be empowered by Imperial Ordinance to issue necessary orders in regard to the use, employment and dismissal of labourers, their wages and other relevant terms of employment.

Article 23. The Government, whenever necessary in wartime or in the emergency for national mobilization, may be empowered by Imperial Ordinance to issue necessary orders to those persons managing or taking charge of schools, other similar institutions, workshops, etc., regarding the training of experts.

Article 24. The Government, whenever necessary in wartime or in an emergency for national mobilization, may be empowered by Imperial Ordinance to issue necessary orders to facilities and enterprises supplying labour.

Article 25. The Government may be empowered by Imperial Ordinance to issue necessary orders in regard to the registration of experts, labourers and others needed for national mobilization to the employers thereof.

Article 26. The Government may be empowered by Imperial Ordinance to order those persons who own enterprises producing or repairing national mobilization commodities or who are in charge of experimental or research organs to conduct experiments or investigations necessary for national mobilization.

Article 8. The Government, whenever necessary in wartime or in emergency for national mobilization may be empowered by Imperial Ordinance to utilize or expropriate national mobilization commodities and resources.

Article 9. The Government, whenever necessary in wartime or in emergency for National Mobilization may be empowered by Imperial Ordinance to cause persons engaging in the production, sale, import and supply of national mobilization commodities and resources to keep in stock fixed quantities of the said commodities or of raw materials therefor.

Article 10. The Government, whenever necessary in wartime or in an emergency for national mobilization, may be empowered by Imperial Ordinance to issue orders to persons operating important enterprises for the establishment or revision of control agreements among themselves or order said persons to abide by such control agreements.

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Article 18. The Government, whenever necessary in wartime or in an emergency for national mobilization, may be empowered by Imperial Ordinance to issue to banking corporations and other financial organizations necessary orders regarding the utilization of funds and money rates or restrict and prohibit the establishment of corporations, payments on unpaid shares, capital increases, the flotation of debentures the borrowing of funds, and the payment of corporation dividends.

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Article 24. The Government, whenever necessary in wartime or in an emergency for national mobilization, may be empowered by Imperial Ordinance to issue necessary orders to facilities and enterprises supplying labour.

Article 25. The Government may be empowered by Imperial Ordinance to issue necessary orders in regard to the registration of experts, labourers and others needed for national mobilization to the employers thereof.

Article 26. The Government may be empowered by Imperial Ordinance to order those persons who own enterprises producing or repairing national mobilization commodities or who are in charge of experimental or research organs to conduct experiments or investigations necessary for national mobilization.

Article 27. The Government may be empowered by Imperial Ordinance to cause those persons owning enterprises necessary for national mobilization to map out necessary plans to be enforced in wartime or in an emergency in regard to the said enterprises or to carry out necessary drills based upon the said plans.

Article 28. Losses resulting from the expropriation, use and supervision of objects effected in accordance with the provisions of the present law shall, in conformity with Imperial Ordinance, be compensated by either the Government or by the owners of the enterprises affected.

Article 29. Acts of requisition in accordance with the Military Requisition Law will not be obstructed by the expropriation, use and supervision of objects and other measures taken in conformity with the provisions of the present law.

CHAPTER XII

DIPLOMACY

The fundamental principle of diplomacy of Manchoukuo was laid down in the proclamation of independence issued on February 18, 1932, at Mukden. This principle which has consistently been followed since then was declared to be in substance as follows:

“The foreign policy of the new state shall be to promote cordial relations with foreign powers by winning their trust and respect through strict observance of international conventions. Financial obligations incurred within the territory of Manchuria by treaties or loan agreements with various countries prior to the establishment of the new state, shall be met according to the terms of those agreements. Investments by any foreign nation shall be welcomed for the furtherance of trade and development of natural resources.”

In taking this attitude Manchoukuo offered assurances as to foreign vested interests within its border and the policy of trade and industry to be followed in the future. It is evident that these public assurances were primarily addressed to countries where a sense of uncertainty prevailed. Later developments show that the country has honored its word, although in trade and industry preferences have been shown, which is natural, to countries which have taken friendly attitudes and offered material cooperation through the early years of the infant empire. Besides, the large scale hostilities that broke out some five years later between Japan and China imposed on the trade and industry of Manchuria such conditions as were least foreseen at an earlier period. By the terms of agreements for intimate friendship and close collaboration with Japan, Manchoukuo has thrown open its material resources to Japanese development and placed its man-power at the disposal of Japanese enterprise. The keynote of Manchoukuo's foreign policy is first and last friendly cooperation with Japan. The relations that have been formed between Manchoukuo and other countries, especially with Germany and Italy, have been contri-

butory to industrial development in the country.

Diplomatic Relations With Japan

Manchoukuo since its earliest days has stood in the closest diplomatic relations with Japan as two nations each independent but inseparably bound together by affinity of interests. The first step that brought them in close relationship was the *de jure* recognition that Japan extended to Manchoukuo as an independent sovereign state by signing on September 15, 1932, of the Japan-Manchoukuo Protocol providing for the cooperation of the two nations in the matter of national defense. Cordiality between the two countries was further deepened by the visit to Manchoukuo in June 1934 of H.I.H. Prince Chichibu, the younger brother of His Majesty the Emperor of Japan, and the courtesy returned by the visit to Japan of the Emperor of Manchoukuo in April of the following year. A further evidence of their close relationship was shown in 1940 when the Emperor of Manchoukuo visited Japan for the second time to offer felicitations on the 2,600th anniversary of the foundation of the latter's empire.

Japan's diplomacy in Manchoukuo through its early formative period was charged of being multilateral, but her machinery of diplomacy was unified through the new system inaugurated in December 1934. Under the new system Japan's diplomacy was placed in the exclusive hands of the commander of the Japanese garrison, popularly known as the Kwantung army. He is assisted by a councillor and other members of the diplomatic staff placed under his direction. The military commander as the highest accredited diplomatic representative of Japan in Manchoukuo is responsible only to the Prime Minister of the Tokyo Government. The Foreign Minister of the same Government has nominal power to supervise the work of the general-diplomat at Hsinking but in reality he only receives reports from the same official on the diplomatic situation. Under the new system the Kwantung Government was reduced to the status of a bureau and placed under the direction of the general-ambassador to Manchoukuo. The police force previously of the Kwantung Government was transferred under the commander of the Japanese gendarmes in Manchuria.

Abolition of Extraterritoriality. Manchoukuo in its fourth year was apprised of Japan's voluntary promise to relinquish the

extraterritorial rights in Manchuria and restore to the Hsinking Government the administrative rights in the South Manchuria Railway zone which Japan had acquired by the Portsmouth Treaty concluding the Russo-Japanese war. An extraterritoriality abolition committee was organized by Manchoukuo in 1934 to make preparations in cooperation with a similar committee organized by the Japanese Government.

The first treaty providing for partial abolition of the extraterritorial rights and for adjustment of the Japanese administrative rights in the railway zone came into effect in July 1936. Under the terms of this treaty the Japanese subjects in Manchoukuo passed under the administrative laws and ordinances of Manchoukuo regarding residence, taxation and industrial enterprise. This was closely followed by another treaty providing for the reciprocal protection of industrial property in Manchoukuo, this marking Manchoukuo's first step toward the international protection of industrial rights in its territory.

In November 1937 the third and most important treaty was signed at Hsinking providing for the abolition of Japan's extraterritorial rights and for the transference to Manchoukuo of the administrative rights in the South Manchuria Railway zone. This treaty in itself constituted a public recognition of the Government of Manchoukuo having attained full competence to administer its whole territory and to protect the life and property of foreign residents therein. The simultaneous abolition of the consular court system indicated Manchoukuo's capacity to administer justice.

It may be also noted that the railway zone was originally leased to Russia by China and later taken over by Japan by virtue of the Portsmouth Treaty. Legally or theoretically, Japan had no obligation to return or transfer the administrative rights in the railway zone. This international deal of historic moment was made, as the Japanese Foreign Minister, Mr. Koki Hirota, said at the time, "to give substance to our claim of being the stabilizing force of East Asia, on the basis of our special and inseparable relationship with Manchoukuo".

New Understanding Among Manchoukuo, Japan and China

The relations of Manchoukuo with Japan and China entered into a new phase of understanding and friendship with the sign-

ing of the historic Declaration among Japan, Manchoukuo and China on November 30, 1940, at Nanking. The Declaration which was signed by the representatives of the three Governments, namely, Mr. Tsang Shih-i, Manchoukuo Plenipotentiary and President of the Privy Council, Mr. Wang Ching-wei, President of the Kuomin Government, and General Nobuyuki Abe, Japanese Ambassador Plenipotentiary to China, reads as follows:

"The Governments of Manchoukuo, China and Japan, desirous of closely collaborating as good neighbors under the common ideal of mutually respecting the inherent characteristics of the three countries, and of establishing a New Order in East Asia based on moral principles, thereby forming an Axis for lasting peace in East Asia as well as contributing toward world peace with this Axis as the nucleus, proclaim the following:

1. Manchoukuo, China and Japan mutually respect each other's sovereignty and territorial integrity.
2. Manchoukuo, China and Japan shall devise all necessary measures for effecting general collaboration between the three countries on the basis of reciprocity, particularly the realization of neighborly amity, joint defence against Communism, and economic cooperation.
3. Manchoukuo, China and Japan shall conclude treaties without delay in accordance with the purport of this declaration.

Done at Nanking, this thirtieth day of the eleventh month of the seventh year of Kangte, corresponding to the thirtieth day of the eleventh month of the twenty-ninth year of the Republic of China, and to the thirtieth day of the eleventh month of the fifteenth year of Showa.

(Seal) (Signed) Tsang Shih-i
President, Manchoukuo Privy Council

(Seal) (Signed) Wang Ching-wei
President, the Republic of China

(Seal) (Signed) Nobuyuki Abe
Ambassador Extraordinary and Plenipotentiary of the
Nippon Empire.

Effects of Manchoukuo-Japan-China Declaration on Manchoukuo's Foreign Policy. A statement was issued at Hsinking by Wei Huan-chang, Director of the Manchoukuo Foreign Office,

following the signing of the tripartite Declaration at Nanking on November 30, 1940. In the statement the import of the pact with regard to Manchoukuo's foreign policy was clarified. The statement reads as follows:

(Unofficial Translation)

A Joint Declaration was signed today in Nanking stipulating basic principles of co-operation and collaboration between the three countries of Japan, Manchoukuo and China. This is indeed a historic pact of epochal significance in the construction of a New Order in East Asia.

The construction of the New Order with Japan, Manchoukuo and China as a solid axis has already passed through a period of confusion and has now reached the stage of construction. But, in the light of the current, delicate international situation, it goes without saying that considerable obstacles and difficulties lie in store in the future.

On this occasion, the further strengthening of the mutual relations of three countries, more closely linked than any other international bloc in the world, geographically, racially, historically and culturally, through the conclusion of a pact of collaboration and cooperation, the like of which has not as yet been seen in the world, leaves no room for any exploitation by third powers, and constitutes the greatest guarantee for the elimination of all obstacles and the solution of all difficulties. This indeed is a matter for heartfelt congratulation.

In particular, we are extremely overjoyed from the standpoint of East Asia as a whole that, through the signing of the Joint Declaration, the Republic of China has come to sympathize with the significance of the founding of Manchoukuo, to respect her independence and to cooperate mutually on this, thereby forming an important basis for such a guarantee.

Previously, I received the orders of the Government and proceeded to Nanking, and on November 7 and 8 participated in the discussion of the Japan-China Conference with regard to the formulation of the draft of the Joint Declaration. On this occasion, I came into contact with the extreme ardour of the authorities of the new Kuomin Government towards the reconstruction of East Asia, and at the same time as being struck by a profound feeling of respect, I was convinced, seeing their deep understanding of the Manchoukuo Empire, that the concerted efforts of the two countries would bear fruit.

Further, I would like to draw the careful attention of those countries in Europe and America who have not as yet recognized Manchoukuo that the bases of their rights and interests, claimed on the pretext of treating the Empire of Manchoukuo as part of the Chinese Republic, will soon be lost in face of the new situation in East Asia.

Manchoukuo and the Tripartite Pact

The Manchoukuo Government made an announcement on September 28, 1940 expressing its wholehearted approbation of

the Japan-Reich-Italy Treaty of Alliance signed in Berlin on September 27, 1940. The announcement was made following an emergency session of the State Council held to decide upon Manchoukuo's attitude toward the three-power alliance. The statement reads:

"A new Japan-Reich-Italy treaty has now been concluded, and Manchoukuo's ally, Japan, leader in the establishment of a new order in Greater East Asia, will hereafter closely cooperate with her friendly nations, Germany and Italy, also leaders in the construction of a new European order, in order to realize their mutual ultimate desires for world peace. Manchoukuo, which is inseparably bound as one in her relations with Japan and which is proceeding in close cooperation with Nippon in the sacred task of establishing a Greater New East Asia order, cannot but be overjoyed at the conclusion of the three-power pact.

"Manchoukuo must further strengthen her ties with Japan and lend further cooperation for the completion of the sacred task. At the same time the Government and people of this country, in the face of the present grave emergency, must perform the mission entrusted to Manchoukuo by further enhancing the spirit underlying her foundation, pursuing their respective occupations with diligence, redoubling their efforts to develop industry and strengthen national defence and by overcoming all obstacles."

Anti-Comintern Pact. The Manchoukuo Government formally became a signatory of the Anti-Comintern Pact on February 24, 1939, complying to the joint invitation made by Japan, Germany and Italy. Commenting upon the entry into this agreement Premier Chang Ching-hui issued the following statement: "In hearty response to the joint invitation of the Japanese, Italian and German Governments, the original signatories to the Anti-Comintern Agreement, Manchoukuo has signed the protocol concerning its participation in the above pact. Anti-Communism has been the national policy of Manchoukuo since its foundation, and through the undivided assistance of its ally, Japan, the new State has been exerting every effort for the prevention of Communism and its efforts have been marked with great success. Manchoukuo's formal entry into the Anti-Comintern Agreement is a matter for the greatest rejoicing in that it signifies the

strengthening of the anti-Communist front and the great ideal underlying the spirit of anti-Communism."

Recognition of Manchoukuo

When the Imperial regime was proclaimed for Manchoukuo in March 1934 official messages of felicitation were received from nine different countries of the world, viz. El Salvador, Turkey, Liberia, Lithuania, Santo Domingo, Nepal, Bolivia, Soviet Russia. The republic of El Salvador gave de jure recognition to Manchoukuo under date of March 3, 1934, informing the Manchoukuo Government that she would permit immigrants and others from Manchoukuo to enter the country without restriction.

The Holy See, under date of April 18, 1934, notified Manchoukuo of its decision to form a separate mission field in Manchoukuo, independent from that of China, and appointed Bishop A. Gaspais as Acting Apostolic Delegate. This note was confirmed on August 2, 1934, by an official note from His Eminence Pierre Cardinal Fumasoni-Biondi, Prefect de la Congregation de la Propagande. His Eminence in his note to the Foreign Minister of Manchoukuo stated that the Catholic mission in Manchoukuo would gladly contribute to the moral and intellectual development of the country according to the disposition of the law and authority of Manchoukuo.

Soviet Russia virtually recognized Manchoukuo by receiving Manchoukuo consular representatives at Blagoveschensk and Chita and by stationing her consuls at Harbin and Manchuli with their exequatur approved by the Manchoukuo Government.

Recognition by Germany

Germany formally added her name to the list of countries which gave de jure recognition to Manchoukuo on May 12, 1938 when a treaty of amity was signed in Berlin, inaugurating diplomatic relations between the two States. The historic document was signed by Baron von Weizsaecker, State Secretary for Foreign Affairs, on behalf of the Reich Government, and Mr. Hiyoshi Kato, Manchoukuo's Plenipotentiary in Berlin, at the German Foreign Office.

The Reich-Manchoukuo treaty of amity consists of four articles, as follows:

Article 1. Both countries, on an equal and independent footing, shall exchange Consuls to establish diplomatic and consular relations. The said Consuls shall be accorded equal treatment with the Consuls of other countries on most-favoured treatment terms.

Article 2. Both countries shall acquire the freedom of residence, travel and business for their respective nationals, for whose lives and property the two Governments undertake to provide protection.

Article 3. The two Governments agree to open, quickly after the signing of the present agreement, negotiations for the conclusion of a general treaty of trade and navigation with a view to promoting friendly relations between their countries.

Article 4. The text of the present treaty is prepared in duplicate in the German and Manchou languages. The treaty shall enter into force on the date when ratifications are exchanged between the Reichsfuehrer and the Emperor of Manchoukuo.

Recognition by Italy

It is recalled that the Italian Government, with the view to helping the maintenance of peace in the Far East gave de facto recognition to the Hsinking Government when it re-opened its consulate in Mukden on December 1, 1936. On November 29, 1937 the Italian Government extended its de jure recognition of Manchoukuo. As its first envoy to Manchoukuo the Italian Government appointed Signor Luigi Cortese as minister, and Mr. Han Shao-ching was appointed as the Manchoukuoan minister to Italy. In recognizing Manchoukuo, the Italian Government sent a message to Premier Chang which reads: "In opening regular diplomatic relations between our two countries, we send you the cordial greetings of the Fascist State and Nation, and our best wishes for the future of Manchoukuo."

Recognition of the Franco Government. The Manchoukuo Government and the Franco regime of Spain went through the procedure of mutual recognition on December 2, 1937, when under the auspices of the Japanese Government, Mr. Yuan Chen-tua,

the Ambassador in Japan, representing Manchoukuo, and Mr. Castillio, representing the Franco regime, exchanged formal notes at the Tokyo Foreign Office.

Recognition by Hungary. Formal recognition of Manchoukuo was extended by Hungary on January 10, 1939. On the same date the Foreign Minister of the Hungarian Government telegraphed to the Prime Minister of Manchoukuo the following statement:

"The Foreign Minister on behalf of the Kingdom of Hungary has the honor to inform Your Excellency that his Government has recognized Manchoukuo. The Foreign Minister earnestly hopes that this fact of recognition will bear happy fruit in the relations between the two countries, and wishes to tender the most respectful regards to Your Excellency."

Recognition by Poland. As the result of an agreement signed in Tokyo on October 19, 1939 between the Manchoukuo Ambassador, Mr. Yuan Chen-tuo, and the Polish Ambassador, Mr. Thaddee de Romer, providing for the exchange of consuls, Poland extended de facto recognition to Manchoukuo.

Recognition of Slovakia. A notification to the Foreign Minister of Slovakia recognizing her independence was sent in an official note by Prime Minister Marshal Chang Ching-hui of Manchoukuo on June 1, 1939. The independence of Slovakia was notified to Manchoukuo by the new Government under Premier Joseph Tisso, following the declaration of independence at Bratislava on March 14, 1940 by the Slovakian National Assembly, consequent upon the incorporation of Bohemia and Moravia into the Reich.

Recognition by Rumania. De jure recognition was extended to Manchoukuo by Rumania on December 3, 1940, the announcement to the same effect being made by the Manchoukuo Government at Hsinking the following day.

Border Disputes and Settlement

The far-flung border of Manchoukuo, except for small sections, come in close touch with Soviet territory. In not a few places the demarcation of border is left in highly dubious conditions. It is hardly surprising that disputes have not been infrequent at one point and another of Manchoukuo's border. Skirmishes took place

when soldiers on either side of the line tried to cross it. The list of these clashes is really imposing.

These border clashes in most cases broke out between Soviet and Japanese soldiers, the latter being charged with the defense of Manchoukuo. The first border incident of importance took place on the Amur in June 1937 between Japanese troops and Soviet gunboats, three in number, this occurrence being known as the Kanehatzu incident. An armed argument of even greater magnitude followed on July 12, 1938 near the northeastern section of the Korean border, the case being known as the Changku-feng incident. The number of soldiers, tanks and aircraft that engaged in this military incident were not inconsiderable. This border occurrence, although eventually localized, might have led to very serious developments. It proved the importance of effecting clear-cut border demarcation wherever it was in doubt.

A border clash on the largest scale took place in September 1939 on the western side of Manchoukuo to the south of Lake Buir on an extensive grassy plain at a region called Nomonhan. A Mongol-Soviet army of considerable strength came into clash with Japan-Manchoukuo-Mongol forces. Although facts and figures for the most part remain unrevealed, there were intense fightings on land and in the air. The casualties on either side were counted by tens of thousands before an armistice was effected in October.

This heated border argument at least served the good purpose of bringing about an agreement between the Soviet and Japanese-Manchoukuo authorities on the urgent need of border adjustment. The border demarcation committees appointed by Tokyo and Moscow met in conference two months later in Chita. It then augured as if the border disputes of long standing between Soviet Russia and Manchoukuo would be disposed of for all time. But when the committees resumed their meeting at Harbin at the beginning of the following year they found it impossible to go on with their talk for reasons that were not made clear. However, diplomatic efforts were continued for resumption of the border talk which was seen some six months later. A full agreement was reached between Moscow and Tokyo-Hsinking at the conference resumed at Chita. Representatives of both sides were sent out to effect border demarcation over the region which was a scene of

heated fighting a year ago.

With regard to border demarcation it had always been insisted by Japan-Manchoukuo that there should be two committees, the one to be charged with the settlement of outstanding border disputes and the other with broader scope of work in demarcating the line all along the Soviet-Manchoukuo frontiers. The success achieved with regard to the Nomonhan case is regarded as an encouraging sign of further understanding on the general situation which was fraught with serious eventualities at a time.

Trade and Other Pacts

Diplomacy of the Manchoukuo Government since its earliest time has been directed along peaceful courses, mostly along lines of trade with other countries. This is understandable because Manchoukuo embarked on a constructive program for trade and industrial development as soon as its internal conditions were reduced to a semblance of order. Manchoukuo which had always been an agrarian country had perforce to seek new sources of material supply outside the country when it entered on an industrial career. With her agricultural produce as staple export, Manchoukuo concluded a series of trade pacts for the import of machinery and other materials requisite to her construction as a new industrial state. Efforts along these lines were materialized in the trade agreement with Germany and with Italy.

Manchoukuo's International Pledge

The Government of Manchoukuo, through its Foreign Minister, Hsieh Chieh-shih, sent out on March 14, 1932, a diplomatic note to 17 countries inviting their recognition of Manchoukuo as an independent sovereign state. The note reiterating its foreign policy embodies the following points:

1. Observance of the primary principle of faith and the spirit of harmony and friendship; and of promotion of international peace;
2. Respect for international justice in accordance with the law of nations;
3. Agreement to take over those obligations which had been incurred by the Republic of China by virtue of treaties

- with foreign countries and which bear on Manchuria;
4. Due respect for the acquired rights and interests of foreign nationals in Manchuria and full protection for their persons and properties;
 5. Free entry of all foreign nationals into the country and their residence therein under equal treatment;
 6. Trade with foreign countries for contributions to world economy;
 7. Observance of the principle of the open-door regarding the economic activities of all foreign nationals in Manchoukuo.

The policy enunciated in these terms stood in contrast with the lines taken by the former regime which had directed anti-foreign movements, made unilateral cancellation of foreign obligations, delayed or defaulted foreign loan services and enforced discriminate railway tariffs against foreign managed railways.

Manchoukuo's Share of Foreign Loans. The new Government of Manchoukuo, in accordance with its avowed intention of respecting all foreign obligations incurred by the old regime, took an early step to meet the situation. It was decided to meet all these obligations out of receipts from the customs and salt gabelle, which had been hypothecated for China's foreign indebtedness. Manchuria's share of foreign borrowing had in large part been spent by the former war lords on machinery and war materials which went into the extension of the imposing armament factory of Mukden.

Manchoukuo, ten days after its declaration of independence on March 1, 1932, approached the Inspector-General of the Nanking Government, Sir Frederick Maze, informally proposing—

1. That Manchoukuo should recover all the customs in Manchuria, but leave the existing personnel of Manchurian customs offices under the supervision of the Inspector-General of Customs at Shanghai, provided that the ultimate control rests with the Manchoukuo Government;
2. That Manchoukuo should prepare to contribute out of the customs revenue its share of the annual redemption of foreign loans secured on such revenue and should appropriate the residue for the use of the Manchoukuo Government,

This proposal had been made despite the patent fact that Manchoukuo, as the natural consequence of its recovery of customs

autonomy, was absolutely free to take over all customs house administration within its territory and collect the revenue. Its attempt to settle the issue amicably, however, proved unsuccessful.

The Nanking Government, arrogantly refusing to entertain these proposals, demanded that the Manchoukuo Government remit the entire revenue of the Dairen Customs, representing more than half of the total customs receipts in Manchuria, in addition to one-third of the revenue of all other customs-houses in Manchuria. Nanking was determined to deprive Manchoukuo of all benefit from its customs service.

The issue thus raised led to a protracted controversy. The Manchoukuo Government ordered the Customs Commissioner at Dairen, J. Fukumoto, a Japanese appointee, to discontinue remittance to the Inspector-General at Shanghai, warning him that unless this order was complied with, it would set up its own customs offices outside the Kwantung Leased Territory. The Japanese commissioner complied with this order from Hsinking and at the same time advised the Shanghai customs to settle the dispute on the basis proposed by Manchoukuo and thereby keep the customs administration in Manchuria and China in harmoniously working order. But he was summarily dismissed from office on the charge of disobedience.

Thereupon, the Manchoukuo Government, convinced of futility of further attempt at amicable arrangement and acting as a fully independent state, assumed control of the customs administration in its territory, all customs-houses in Manchoukuo flying their national flags as from June 29, 1932. Mr. Fukumoto was ordered to take charge of the Dairen customs as Commissioner of Manchoukuo and many of the former staff, Chinese, Japanese, and other nationals, remained in their respective posts except those who declined to serve under the new system.

The new customs functioning under its own direction, the Manchoukuo Government set aside some 11,050,000 yuan out of the customs receipts amounting to 40,460,000 yuan in the first fiscal year 1932 as its share of the foreign obligations and deposited this sum at the Dairen branch office of the Yokohama Specie Bank, holding it in readiness against withdrawal at any time by the Chinese Customs Inspector-General.

Foreign Claims against the Former Regime. Parallel with its