IN 1931 the Japanese militarists .seized Ivlanchuria and proceeded to demonstrate to a surprised and dis-concerted world a novel technique in

and urban construction, euniw with an intensive exploitation of Manchurian natural resources, as part oF their general design of erecting in Manchuria the " Continental **war** base" which should facilitate their

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PREFACE

This is a survey of Japanese activities in Manchuria since the *coup d'etat* of September 1931, with a concluding chapter on the situation during 1945-47. It is concerned primarily with internal developments and touches on the foreign relations of Japan and 'Manchukuo' only in so far as they affected Japanese policy in the puppet State.

I have adopted the usual English spelling 'Manchu' and 'Manchukuo' except when citing titles of publications which use the Wade Romanization 'Manchoukuo' (country of the Manchou or Manchus).

The name 'Manchukuo' was coined by the Japanese as part of their pretence that they had but lent benevolent assistance to an indigenous independence movement among the populace in Manchuria. As the 'independence' was a transparent fiction and as 'Manchukuo'was accorded recognition only by Japan herself, and subsequently by the European Axis Powers and their satellites, the word is put in parentheses throughout this book. Manchuria, on the other hand, is a term which has been used for centuries by Western writers—as well as by Orientals writing in Western languages—to describe a region which has certain distinctive geographical, climatic, social, and historical features. It is an appellation which combines validity with convenience and which does not of itself imply any especial political status, or any denial of Chinese sovereignty.

I am especially indebted to Mr E. S. Kirby for letting me make use of his unpublished thesis entitled 'The Economic Organization of Manchoukuo' and for other aid in securing materials. My thanks are due to Sir Paul Butler, K.C.M.G., for reading through the typescript and affording useful corrections and criticisms. Professor G. C. Allen has given me similar valuable assistance in the revision of the financial and economic chapters; as have Mr Oswald White and Mr G. F. Hudson in regard to the political sections.

Bristol, December 1947. F. C. JONES.

CHAPTER I

Introductory: Manchuria in 1931

IN 1931 the region known to Westerners as Manchuria was administratively divided into the three provinces of Liaoning, the former Fengt'ien; Kirin (Chilin); and Heilungkiang (Heilungchiang); hence the Chinese term, the 'Three North-Eastcrn Provinces'.[1] Liaoning had an estimated area of some 70,000 square miles, Kirin one of 100,000 and Heilungchiang one of over 210,000 square miles. Thus die three provinces extended over some 3 80,000 square miles, an area comparable in extent to France and Germany combined.[2] Until his expulsion by the Japanese after the 'incident' of 18 September 1931, the whole region was under the military rule of the 'Young Marshal' Chang Hsuchliang. He had succeeded his father, Chang Tso-lin, in 1928 as military autocrat of Manchuria, and also *o(* the neighbouring Inner Mongolian Province of Jehol, which was about 60,000 square miles in extent, a possession which enabled the Changs to dominate the Peip'ing region and the approaches to Manchuria via the Shanhaikuan defde. The Japanese Kwantung Army conquered Jehol in 1933 and annexed it to 'Manchukuo'.

The whole country is roughly quadrilateral in shape; it is some 900 miles in length and about the same in breadth. It falls into three main geographic regions: the central Manchurian plain; the Hsingan and Ch'angpaishan mountain and forest regions; and the steppe area, geographically a part of Mongolia, which extends for the most part to the west of the main Hsingan range, although the country immediately east of that range is also pastoral in character. The richest agricultural areas of Manchuria are the alluvial plain which stretches from the Gulf of Liaoning to the neighbourhood of Ch'angch'un, and the black earth region of the Sungari and Nonni Rivers. The Manchurian plains have an area of some 138,000 square miles, or about one-third of the whole country.

•The Chinese National Government in 1929 substituted Liaoning for Fengt'ien to indicate its complete political assimilation. Fengt'ien means 'ordained by Heaven' and was a Manchu Imperial title. Liaoning means 'peace of the Liao'.

[2] 'Appeal by the Chinese Government. Report of the Commission of Enquiry' [Lytton Report], 1932, p. 25.

To the westwards the plains shade off gradually into semi-arid country, partly agricultural, partly pastoral in aspect. The extensive Barga region, lying west of the main Hsingan range, is geographically a part of the Mongolian steppe, similar to western Outer Mongolia and northern Chahar, and is in the main the home of nomadic Mongol tribes.

The chief mountain and forest regions are the Great Hsingan range, on the west, the little Hsingan range which runs from north-west to south-east, overlooking the valley of the Amur; and the Ch'angpaishan range along the Korean boundary. The Great Hsingans are rounded hills, which form the natural boundary between Manchuria and Mongolia; they do not rise much over a thousand feet along the Mongolian plateau on their western side, but are more precipitous on their eastern side, where they reach an average of three thousand feet above the Manchurian plain. They are thus difficult of access from the east, but somewhat less so from the west. In latitude 43 ° 30' approximately the Hsingan mountains decline to low foothills and there the Manchurian plain rises gently to join the Mongolian tableland.[1] The Ch'angpaishan mountains reach a height of eight thousand feet and are much more precipitous and difficult of access than are the Hsingans; this is also the case with the mountains of Jehol. The eastern Manchurian mountain region, with an area of about 100,000 square miles, contains the largest timber resources in all China, part of which were under wasteful exploitation. The considerable mineral wealth in coal and iron with which this part of the country is endowed was not at that time fully known, and was only just beginning to be utilized.

Despite the progress in railway construction, which had outstripped that of die rest of China south of the Great Wall, the principal means of transport and communications were by river and road. Of the main rivers in or adjoining Manchuria, the Amur, which is about 2,600 miles long, is navigable by river steamers for some three-quarters of its length. The Sungari, which is wholly a Manchurian river, rises in Kirin Province and flows north-westwards past the city of Kirin, where it turns east and north-east to join the Amur at T'ungchiang. Of its length of some 1,300 miles the part above Kirin is navigable only by flat-bottomed river craft. Between Kirin and its junction with the

[1] G. B. Crcssey, *China's Geographic Foundations* (London, McGraw-Hill, 1934) p. 214.

Nonni, the Sungari can be navigated by light draught steamers and from the Nonni past Harbin to the Amur by larger vessels, although there are numerous shoals. The Nonni River has its source in the Great Hsingan mountains and flows southward for some 600 miles to the Sungari; it is navigable by river steamers up to Tsitsihar, and by sailing craft to well above that city. The eastern Liao rises in the Ch'angpaishan range and the western Liao in Jehol; these two streams join to form the main Liao river, which flows through southern Manchuria to the Gulf of Liao tung. Owing to the presence of much silt it is navigable above New-chwang only by small boats. That part of the Ussuri which forms the north-eastern frontier of Manchuria and the U.S.S.R. is navigable by fair-sized vessels. The Yalu and T'umen rivers are unsuitcd for anything more than small craft, save for a short distance above their mouths. All these rivers are frozen for most of the period October to March and arc then used for sleigh or cart transportation. In 1931 such roads as existed were mostly cart-tracks, often turned into quagmires by the spring thaw or summer floods. Despite the growth of railways, and of a considerable volume of steamer traffic on the rivers, the horse or mule-driven Peking cart and the junk remained the principal means of freight transportation.

The Manchurian plain, like that of north China, has a continental climate, marked by long and bitter winters. Cold, dry Siberian winds sweep the country between October and March, and in mid-winter both soil and rivers arc frozen to a depth of several feet. The winter cold is less intense in the southern zone bordering die Yellow Sea; it increases as one goes nordiwards. average winter temperature in Mukden is n° F., as compared with O^0 F. in Harbin and -io° F. in the extreme north. In the northern part of the Manchurian plain the temperature frequently falls to -30^0 F. The snowfall is slight and there are frequent droughts during the short spring season. The summers are hot and humid, especially in southern Manchuria, with average July temperatures of 75^0 F. and a maximum of 95^0 F. or more. The rainfall comes mainly in July and August, and is frequently accompanied by extensive floods. The short autumn season is cool and dry and is much the pleasantest of the whole year. The entire region is subject to abrupt changes of temperature which increase the hazards .of agricultural production. In southern and central Manchuria the average frost-free period is some 150 days per annum, in the north only 125 days.

Owing to its generally mountainous character and relative nearness to the sea, eastern Manchuria differs somewhat in climate from the central plain. The annual precipitation is greater, ranging from forty inches or more along the higher mountain ranges to twenty-five inches on the borders of the plain country. This compares with an average of twenty inches for the central Manchurian zone. The winters of eastern Manchuria are severe and are marked by a greater snowfall than is the case in the northern and central portions of the country; the summer temperatures are lower and the growing season is shorter, except in more sheltered valley lands in the south-east.

Western Manchuria, in particular the Barga area west of the Great Hsingan range, exhibits the climatic characteristics of Mongolia. With an average annual rainfall of twelve inches, aridity is the most noticeable feature, though sudden torrential rains occur which for a brief space turn dry watercourses into floods and die semi-desert plains into quagmires. The winters are long and bitterly cold; the summers are short.

No comprehensive census of the population had been made by 1931, and estimates varied considerably. The Research Bureau of

TABLE 1

POPULATION OF MANCHURIA, 1930

Province	*Area in sq. miles*	*Population*	*Population < per sq. n*
Mukden (Liaoning)	71,508	15,151,630	212
Kirin	103,379	9,191,980	89
Amur (Heilung-chiang)	224,944	5,32I>370	23
Jehol	60,550	4,670,000	77
Total	460,381	34,334,980	74

the South Manchuria Railway Company gave a total of 34.3 millions for the end of 1930.[1] In 1900 the total population of Manchuria, exclusive of Jehol, had been estimated at 14 millions,

[1] (South Manchuria Railway. *Third Report on Progress in Manchuria,* 1932, p. 13.) But see Chapter XI, p. 206.

so that it had almost doubled in thirty years, owing both to natural increase and to immigration. The average density of population, 74 persons per square mile, was small as compared with that of Japan, 453 per square mile, or of the Chinese province of Shantung, with an estimated 550 persons per square mile. But densities per square mile are misleading: a truer picture of the situation is afforded by a consideration of the extent to which the cultivable area of the country was already being utilized. According to a Japanese investigation into this matter in 1928, 36 per cent of the total area of Liaoning was cultivable and 23.8 per cent cultivated; the figures for Kirin were 25.8 per cent and 14.4 per cent; and for Heilungchiang 15.7 per cent and 5.6 per cent.[1] Furthermore, the estimates of cultivable land include areas of mediocre fertility and inconvenient location, as would appear from the fact that although on the basis of the figures quoted above, 12.1 per cent of the cultivable land in Liaoning had not been taken up in 1927, yet in that year over two-thirds of the immigrants into Manchuria went to the northern part of the country (northern Kirin and Heilungchiang), and there was also a considerable internal migration from Liaoning to the two more northerly provinces.[2] Thus Liaoning had almost reached saturation point as a field for agrarian settlement, and while large undeveloped areas remained in North Manchuria, continued rural settlement on the scale that had occurred during the decade 1920-30 bid fair to fill up the still available land.[3]

This settlement of the country was, as it had always been, carried out predominantly by Chinese. The edicts of the Ch'ing (Manchu) emperors in restraint of Chinese colonization had been largely dead letters and by 1900 some 80 per cent of the total population was Chinese, a proportion which had grown to over 90 per cent in 1931. The Juchen or Manchu people, never very numerous, had largely become assimilated to the Chinese in language and customs; they formed at the most 3 per cent of the population. They could not, therefore, be utilized to any great degree as a bulwark of the new regime. But in styling the country

[1] Chu Hsiao, 'Manchuria: A Statistical Survey', in *Problems of the Pacific,* 1929, p. 383.

[1] C. W. Young, 'Chinese Colonization in Manchuria', *Problems of the Pacific,* 1929, PP. 443-5.

[3] On the limitations of Manchuria as an outlet for Chinese land settlement see A. J. Grajdanzev, 'Manchuria as a Region of Colonization'. *Pacific Affairs,* Vol. XIX, No. 1, March 1946, pp. 5-18.

'Manchukuo* and by appointing as nominal head of the State the ex-emperor of China, the Japanese were manoeuvring for the support of conservative and separatist elements among the Chinese and Mongol inhabitants.[1]

Apart from this appeal to historical traditions, the fact that the migration to Manchuria was a northern Chinese one, and that the northern Chinese had no great affection for the predominantly southern Chinese republican Government in Nanking, was not lost sight of by the Japanese in their attempted revival of the glories of the Ch'ing Empire. Furthermore, the authority of the Chinese Republic in Manchuria had never been more than nominal. Manchuria remained a frontier region with a strongly developed local and particularist sentiment. Local particularism and military rule were, indeed, the prevailing features in most of tlie territories which made up the vast but inchoate Chinese Republic, but in Manchuria regionalism was strengthened by topographic features, by *the* fact that the country was largely a colonial area, and by its organization as a Manchu military preserve during the greater part of the Ch'ing period. Thus, although Manchuria by 1931 had become predominantly Chinese in regard to the great part of the population, despite the existence of considerable Korean, Mongol, Japanese, and Russian minorities, this did not of itself render nugatory Japanese hopes of fostering a 'Manchurian' national sentiment.

The Chinese in Manchuria, like their compatriots south of the Great Wall, were for the most part peasant farmers, although in respect of land tenure, size of holdings, and character of crops, Manchuria exhibited some striking differences from the rest of China. Manchuria was, and remains, primarily a cereal-producing country. The chief cereals raised for internal consumption comprise sorghum or kaoliang, millet, maize, wheat, rice and barley. Kaoliang has been for centuries the staple food of the Manchurian people and of their livestock, and until 1925 it remained the leading crop in the country as a whole, both as regards acreage of cultivation and quantity of production. By 1930 *it* had been surpassed by soya beans in extent of cultivation and about equalled in quantity of production. In 1914 the land devoted to kaoliang amounted to 5,278,000 acres, with a production of 86 million bushels, as compared with an acreage of 4,165,000 and a pro-

[1] See Chapters III and IV.

duction of 39.9 million bushels for soya beans. In 1914, kaoliang accounted for 46 per cent of the acreage and 33 per cent of the production of the seven main crops of the country. In 1927, there were 6,155,000 acres under kaoliang with a production of 173.6 million bushels, as compared with 7,620,000 acres and 158.7 million bushels for soya beans. Thus, while both kaoliang and soya beans, in common with the other cereals, had greatly expanded in acreage and yield, kaoliang had suffered a relative decline to 28.7 per cent of the total area under cereals and 25.3 per cent of the total production, whereas soya beans accounted for 31.3 per cent of the total acreage and 26.2 per cent of the total production.[1] In die province of Liaoning, kaoliang remained by far the principal crop both in acreage and production, whereas in Kirin and Heilungchiang, the soya bean had taken pre-eminence in both respects by 1914, although with increased settlement in these provinces kaoliang gained ground.While kaoliang is, in the main, a food of domestic consumption there was a considerable export to China and a lesser one to Japan.

Of the other cereals used primarily for domestic consumption millet had by 1927 displaced maize as the second most important crop. The percentages of total cereal production were in 1914, 9.0 for millet and 12.3 for maize, whereas in 1927 they were 19.6 for millet and 9.9 for maize.[2] Wheat, which is mainly a North Manchurian crop, introduced by Russian enterprise, ranked third in importance. The annual production of wheat is subject to considerable fluctuations owing to climatic variations and uncertainties. The acreage under wheat remained fiiirly constant between 1914 and 1927, although its production almost trebled. In relation to other crop production that of wheat exhibited a slight relative decline.[3] Rice had more than doubled in acreage, and increased nearly ten-fold in production between 1914 and 1927; this was due to the influx of Korean rice farmers.

In international commerce the importance of Manchuria was due to its production and sale of soya beans, an export crop which was stimulated by the growth of rail communications, which had been constructed largely under foreign auspices, and by the world demand for the soya bean and its derivatives. In 1929-30 it was

[1] Chu Hsiao, op. cit., pp. 385-89.
* ibid., p. 398.
* This appears from the data collected by Chu Hsiao, but the varying sources and doubtful accuracy of Manchurian statistics should always be remembered.

estimated that Manchuria produced 208 million bushels, which was 59 per cent of the total world production of 351 million bushels of soya beans.[1] Advantages of soil and climate, the great demand in both the Far East and in Europe, cheap rail and sea transportation facilities, the value of the soya bean to the Manchurian farmer as his principal cash crop, together with the enterprise of the Japanese in scientific production and marketing account for Manchuria's great predominance as an exporter of soya beans.

The total cereal production in Manchuria rose from 185.3 million bushels in 1914 to 605.1 million bushels in 1927. This great increase was made possible, not only by the growth of population but by a vast and ever rising seasonal movement of Chinese labourers to help *m* the sowing and harvesting. In the spring, a great horde of coolies from Shantung and Hopei flocked into Manchuria, and for the most part returned after the harvests had been gathered in. About two-thirds went by sea—from Tsingtao, Chefoo, or Tientsin to Dairen or Yingkow. Cheap fares on steam vessels, mainly Japanese, plying between these ports, facilitated this vast movement; so also did low fares on the Manchurian railways. The remaining third went overland, by rail or on foot. According to statistics compiled by the South Manchuria Railway Research Bureau, during the eight years 1923-30 just over 6 million Chinese entered Manchuria by way of the ports or on the Peking-Mukden Railway; the peak years were 1927 and 1929, during each of which over a million Chinese came into Manchuria. These statistics do not account for the considerable numbers who came on foot by road. As already remarked, much of this immigration was seasonal, a good many of the labourers returning to their homes with the onset of winter, but a growing proportion remained as permanent settlers. Thus, of the 6 million who entered in the years 1923-30, 2.92 millions left Manchuria, which meant a net addition by immigration of just over 3 millions.

It should be noteu that the years 1920-30 were characterized by growing civil strife in North China, whereas Manchuria remained largely, though not completely, immune from this; consequently,

[1] *S.M.R. Third Report on Progress in Manchuria* (Dairen, The South Manchuria Railway, 1932), p. 143. This estimate of Manchurian production was probably too high. In 1936 the respective percentages of world production of soya beans were: China (exclusive of Manchuria) 48*8; Manchuria 34-5; U.S.A., 6.7. 'Raw Materials and Foodstuffs', *Economic Intelligence Service, League of Nations,* 1939, p.20. But China and the U.S.A. produced for the domestic market; Manchuria exported about 70 per cent of its crop.

although the regime of the two Changs left much to be desired, Manchuria afforded a greater measure of security than did the turbulent provinces south of the Great Wall. Famine in Shantung and Hopei, especially during 1926-27, was another important factor in swelling the numbers, particularly of those who came as intending settlers, rather than as seasonal labourers.

Colonization in Manchuria was encouraged both by Chinese central and provincial officials in North China and by those in Manchuria, more especially in Kirin and Heilungchiang. Inducements were offered of free land, free houses, and financial assistance for the purchase of agricultural implements and of seed, and these opportunities were publicized in Shantung and Hopei. In some cases the promises were kept, but *in* many others, whether through inability or design, they proved fraudulent and illusory. This was especially true of the free land offers, because in fact there was very little land in Manchuria not already under private ownership. The large virgin tracts in Kirin and Heilungchiang had been parcelled out among officials, merchants and speculators, these wanted tenants to farm their lands and knew that once immigrants had been induced to come they would not have the means to return to their homes, and would have to accept the terms offered them. The more settlers could be induced to come die higher the rents that could be charged. The only free land available consisted of poor and remote areas which the Chinese officials and militarists had not thought worth the taking. Landed estates in Manchuria were much larger than was common in China south of the Great Wall, and some of those in North Manchuria ran to several hundred thousand acres.[1]

Thus Manchuria was dominated by a land-owning oligarchy primarily concerned for the maintenance of its ill-gotten gains and the immigrant settler became a tenant-farmer paying high rents in cash or in crops. But even so, his prospects were more favourable than they had been in the overcrowded and famine-haunted provinces of North China, and he had a better chance of making enough for himself to become a small proprietor, especially if he rented lands owned by speculating companies ready to sell at a good profit. But if land settlement had continued at the rate exhibited during 1926-30 competition for land would soon have become as fierce as in the older settled areas of China.

[1] A. J. Grajdanzev, op. cit., pp. if-16.

Manchuria Since 1931

In 1931 industrial development in Manchuria was only in its infancy. Such factory industry as existed was confined to the cities of Dairen and Harbin and to the South Manchurian and Chinese Eastern Railway zones. The most important industries were offshoots of agricultural production, namely soya bean oil-pressing and bean-caking mills, which were located in Dairen and the S.M.R. Zone for the most part, and wheat-flour milling, which was carried on mainly at Harbin. The bean oil and bean cake were mostly exported, whereas the wheat flour was mainly consumed in Manchuria. Mukden was a centre of tobacco manufacture; both the British American Tobacco Company and the Japanese To-a (East Asia) Company possessed factories there, which blended local tobacco with imported leaf. The Japanese had established cotton-spinning mills at Dairen, Chin chow, and Liaoyang and also a woollen mill in Mukden. Large scale factory industries were mainly in the hands of foreigners—Japanese, Russians, British, and Americans—although the Chinese were entering the field on their own as well as investing in foreign enterprises. Chinese domestic industries produced most of the consumer goods that were manufactured in Manchuria. However, the country was mainly dependent on imports for a wide range of manufactured goods, as was true of China as a whole.

The exploitation of the large mineral resources of Manchuria was likewise only in the early stages. The mining and utilization of coal in Manchuria antedated similar developments in Japan, but was on a small scale. The Russians initiated large scale colliery operations to serve the needs of the Chinese Eastern Railway, but rapid progress in coal mining came after the Russo-Japanese War and the organization of the South Manchuria Railway Company, which took over the famous Fushun mines in 1908. The Eushun collieries produced a mere 490,000 tons of coal in 1908, in 1930 they accounted for 7,200,000 tons out of a total Manchurian production of 9,860,000 tons.[1]

Small scale iron-ore mining and smelting also antedated the penetration of Manchuria by foreign interests. After the Russo-Japanese War the Okura firm collaborated with local Chinese interests at Penhsihu in the development of modern mining and pig-iron production. The S.M.R. established its iron works at Anshan in 1918, for the treatment of low-grade ores. This is a

[1] *Contemporary Manchuria,* Vol. i, No. 4, November 1937, pp. 67-68.

difficult and expensive process and the works operated at a loss during most of the period 1918-30. In the latter year about 200,000 tons of pig iron were being produced at Anshan and 50,000 tons at Penhsihu.[1]

The foreign trade of Manchuria reflected the stage which the country's economy had reached. The export trade was one of raw materials and semi-manufactures, the imports were chiefly manufactured goods. In 1930, soya beans, bean oil, and bean cake, together accounted for 60 per cent of the total exports, a further 9 per cent comprised coal exports to Japan, China, and Korea, while exports of millet, mainly to Korea, made up another 4 per cent. Japan took most of the iron-ore and pig iron, which constituted about 2 per cent of the total exports. Other export commodities included seeds (3 per cent), salt (2 per cent), raw silk (2 per cent), and cereals apart from soya beans and millet (4 per cent). The principal commodities imported into Manchuria were cotton piece goods which in 1930 accounted for 21 per cent of the total import, wheat flour (7 per cent), iron and steel manufactures (5 per cent), woollens and silk piece goods (5 per cent), tobacco and products (5 per cent), and gunny bags (4 per cent).[2]

Manchurian foreign trade had increased at a much faster rate than that of the rest of China. During 1907-27 the total foreign trade of all China about tripled in value, but that of Manchuria increased twelve-fold. While the total value of Chinese exports quadrupled, that of Manchurian exports increased by eighteen times over the same period. Manchuria's balance of trade was usually favourable, which was a factor in offsetting the general adverse balance of the Chinese Republic, though it was by no means as important in this respect as were emigrant remittances from overseas. Japan was easily first in the total Manchurian foreign trade, as also in both imports and exports.[3] It should be noted, however, that Japanese purchases of soya beans and bean products were equalled by those of foreign, chiefly European buyers, and that these financed Manchurian imports of textiles, which came mainly from Japan, and of machinery, which was secured mostly from Europe and America.

[1] *S.M.R. Third Report on Progress in Manchuria,* 1932, pp. 121, 153.
[2] ibid., p. 136.
[3] The rest of China came second, although this counts as internal Chinese trade before the establishment of 'Manchukuo'. Russian trade took a nominal third place, but much of this was made up of Manchurian bean products re-exported through Vladivostok.

About 70 per cent of the total foreign investment in Manchuria was Japanese, 25 per cent Russian, and the rest British and American. But, while Japan was the principal foreign investor, the chief importer, and the leading buyer, other foreign countries were making important contributions in particular respects to Manchuria's general development and had good prospects of improvement so long as Manchuria remained in Chinese control. Furthermore, if Japan supplied most of the technicians and administrators in her Leased Territory and Railway Zone, the Chinese provided a growing reservoir of unskilled labour for industry and the bulk of the domestic capital, the aggregate of which far exceeded the foreign investment.

In general, therefore, Manchuria in 1931 was primarily an agrarian country but one with a growing factory industry, which was chiefly devoted to the production of consumer goods. It was an important source of foodstuffs for the rest of China, as well as for Japan and Korea, it formed an outlet for the surplus rural population of North China, and was a source of wealth *to* that region in the form of immigrants' remittances to relatives remaining in Shantung and Hopei. It constituted a market, albeit a minor one, for Great Britain, the United States, and Germany, and for the latter country it was an important supplier of fats in the form of soya bean derivatives and of cattle feed and soil fertilizer. Despite its *de facto* local autonomy it was as a whole predominantly Chinese in population and character; at the same time the existence of foreign and Sino-foreign railways and industrial enterprises gave it something of an international character and had greatly accelerated its economic development as compared with that of the rest of China.

CHAPTER II

Political and Administrative Organization

THE famous 'incident' of 18 September 1931, was followed by the overthrow of Chinese authority in Manchuria and by the establishment of 'Manchukuo'. These acts were all die work of the Japanese Kwantung Army and it is therefore necessary to explain the origins and character of this force and its relationship to other Japanese authorities in Manchuria and to the Tokyo Government. By Articles 5 and 6 of the Treaty of Portsmouth of 5 September 1905, Japan acquired from Russia the Leased Territory in the Liaotung Peninsula which that Power had secured from China in 1898. She similarly acquired the southern section of the Russian-built Chinese Eastern Railway, between Ch'angch'un and Port Arthur, and all its branches, together widi all rights, privileges and properties appertaining to the railway and all coal mines belonging to it or worked for its benefit.[1] Article 3 of the Treaty of Portsmoudi specifically excepted the Leased Territory from the general stipulation for the evacuation of the troops of both Powers from Manchuria, while in the Annex to the Treaty the two Powers agreed on their right to maintain armed guards for the protection of their respective railway lines; the number of such guards was not to exceed fifteen per kilometre. The transfer of Russian rights to Japan was made conditional on the consent of the Chinese Government; this was secured in the Sino-Japanesc Treaty of Peking of 22 December 1905. By the Additional Agreement which accompanied this Treaty, the Chinese Government by implication agreed to the stationing of Japanese railway guards in Manchuria, and also to the reconstruction of a light military railway from Antung to Mukden which had been built by the Japanese Army in 1904-05, and to its subsequent control by Japan for

[1] By the contract ot 8 September 1896, between the Russo-Chinese Bank and the Chinese Government, the Railway Company was to have absolute and exclusive rights of administration over 'the lands absolutely necessary for the construction, operation, and protection of the line'. The Russians, by a liberal interpretation of this phraseology, acquired considerable areas of land adjacent to important stations. The Japanese took these over and built towns on them in which they exercised full administrative functions. These were the Japanese railway towns, virtually little p ieces of Japanese territory.

a period of fifteen years, after which period it was to be purchased by China.

Such were the special treaty rights which Japan secured in Manchuria as an immediate consequence of her victory in the war of 1904-05. Under the terms of the original agreements with Russia, the lease of the territory in Liaoning was for twenty-five years, with provision for its prolongation by a further agreement. The Chinese Eastern Railway, both main and branch lines, was to pass to the Chinese Government without compensation at the end of eighty years, but China was accorded the right to purchase it at the end of thirty-six years from the date of completion of the line. By the Sino-Japanese Treaty of 25 May 1915, Japan secured an extension to ninety-nine years of the Leased Territory in the Liaoning Peninsula and of her possession of the South Manchurian and the Antung-Mukden railways. Her administrative and jurisdictional rights in these areas remained the same as before.

Apart from these special treaty rights in Manchuria, there were the general Sino-Japanese commercial treaties which gave to Japanese subjects rights of trade and of residence in the treaty ports of China, including those in Manchuria. These treaty rights included that of extraterritorial jurisdiction, with, as accompaniment, the establishment of consular courts and of consular police. The Treaty of May 1915 extended these rights to all South Manchuria.

The Leased Zone, which the Japanese called the Kwantung Leased Territory, or Kwantung Province, had an area of 3,462 square kilometres.[1] It included the naval base of Port Arthur, which the Japanese call Ryojun, and the commercial port in Talien Bay (Talienwan) which the Russians call Dalny and the Japanese Dairen. Within this Territory the Japanese exercised full military, administrative, and jurisdictional rights. This is the usual situation in respect of leased territories in which the lessee enjoys everything except outright ownership. In 1906 a Japanese Imperial Ordinance established the Government-General of Kwantung Province, under a Governor-General who was a military officer and who exercised both civil and military powers of administration. This regime continued until 1919, when the Government-General (Totoku-fu) was replaced by the Kwantung Government

[1] *Contemporary Manchuria,* Vol. Ill, No. i, January 1939, p. 58.

(Kwanto Cho), a civil administration headed by a civilian governor. The mihtary power formerly vested in the Governor-General was transferred to the Commander-in-Chief of the Kwantung Army, a post created by the Organic Law of the Kwantung Army, which was promulgated on 11 April 1919.

In 1906, the South Manchuria Railway Company was organized to manage the railways which had come into Japanese possession and to exercise local administrative functions in the railway and municipal lands—collectively known as the Railway Zone. The Zone extended along the Dairen-Ch'angch'un and Antung-Mukden lines and their branches.[1] The municipal lands included a number of important railway and mining towns. The S.M.R. carried on local government in these railway towns as well as sanitary and educational activities. But it was under the general supervision of the civil governor of the Kwantung Leased Territory, who also controlled the civilian police in the Leased Territory and the Railway Zone. Military affairs in the Leased Territory and the Railway Zone were in the hands of the Kwantung Army.

There were thus four different Japanese authorities in Manchuria. First, the Kwantung Army, headed by a General who was appointed by the Emperor and was responsible to the Minister of War in matters of general administration, and to the Chief of the General Staff for the mobilization of troops. The forces under his command comprised, prior to the 'incident' of September 1931, one division of garrison troops and six battalions of railway guards. The Commander-in-Chief normally utilized these troops for the preservation of peace and order in accordance with the request of the civilian governor, but he could take completely independent action in case of an emergency, reporting such action to his two mihtary superiors in Tokyo, who themselves had direct access to the Emperor, and could thus act independently of the Cabinet.

Secondly, there was the Kwantung Civil Government, at the head of which was a Governor who was appointed by, and responsible to, the Prime Minister of Japan until 1929, when the Kwantung Government was placed under the control of the

[1] 'The area of the Railway Zone outside the Kwantung Leased Territory is 298 square kilometres. With the exception of municipal lands and special districts, which cover a considerable large area, the S.M.R. Zone is generally about 62 metres wide.' *Contemporary Manchuria,* Vol. Ill, No. 1, January 1939, p. 59.

newly-created Japanese Ministry of Overseas Affairs. In matters affecting foreign relations, however, the civil governor was responsible to the Gaimusho, or Japanese Foreign Office. Thirdly, there was the South Manchurian Railway Company, with a President appointed by and responsible to the Japanese Prime Minister. Fourthly, there were the Japanese consular officials responsible to the Foreign *Office.* There were three separate systems of police administration—the civilian police of die Kwantung Government in die Leased Territory and the Railway Zone, the gendarmerie of the Kwantung Army in the same areas, and the police maintained by the Japanese consulates in the exercise of their extraterritorial functions outside the Leased Area and Railway Zone.

There was thus ample opportunity for friction between these multifarious and often overlapping jurisdictions, and in particular, as in Japan itself, for conflict between the military and the civilian elements. The Kwantung Army was a politico-military force; *it* had a special service department, under the direction of its Chief of Staff, and it was this department, especially the Mukden section, in which the leading figure was the notorious Colonel (later General) Kenji Doihara, which played the main part in bringing about the *coup (That* of September 1931 and the events which followed it, and in directing the policies of the new State. The *young officer' group in the Japanese armed forces, strongly imbued with anti-capitalist and national socialist ideas, was very influential in the Kwantung Army, and was eager to utilize Manchuria as an experimental laboratory for the application of these ideas. This group included Major (later General) Itagaki and Major (afterwards Major-General) Ishihara, who were both instrumental in the events which resulted in the formation of 'Manchukuo*. In Japan itself the Army had been conducting an intensive propaganda against the pacific policy of the Foreign Minister, Baron Shidehara, and preparing the Japanese public for a solution of the Manchurian issues by force of arms, while in Manchuria the Kwantung Army had been perfecting its military and political preparations.

The preservation of Manchurian local autonomy had long been an objective of Japanese policy. The regime of Marshal Chang Tso-lin had suited the Japanese well enough so long as he made no attempt to undermine the economic stranglehold which the

S.M.R. had secured. But, especially after 1925, this was exactly what he attempted. In November 1925, when most of Chang's troops were fighting in North China, the Manchurian war-lord was faced with an unexpected revolt on the part of one of his subordinates, General Kuo Sung-lin, who was stationed in territory west of the S.M.R. Chang called for help from the Governor of Heilungchiang, but the Soviet railway authorities would not allow the Heilungchiang troops to travel on the C.E.R. unless they paid their fares in cash and they therefore had to come by another and slower route. Chang Tso-lin would have been overthrown had not the Japanese declared a neutral zone of seven miles on each side of the S.M.R. This stopped Kuo Sung-lin from taking Mukden, and when the Heilungchiang cavalry eventually arrived he was defeated and executed. The Japanese had thus saved Marshal Chang, and they emphasized his dependence on them by insisting that he come down to the Leased Territory and express his thanks to them, which he had to do.

Consequently, Chang Tso-lin was embittered against both Russians and Japanese and resolved to free himself from dependence upon the foreign-administered railways by building an independent railway system. This he proceeded to do, despite Japanese protests, while at the same time he blocked further S.M.R. building.[1] Relations between the Japanese and their former protege became increasingly strained until on 4 June 1928, Chang Tso-lin was killed by an explosion which wrecked his train at the spot just outside Mukden where the Peip'ing-Mukden line passes beneath a bridge, over which run the lines of the S.M.R. The Japanese were universally believed to have been involved in the assassination and it is possible that they meant the 'Old Marshal* to be succeeded by liis Chief of Staff, Yang Yu-ting; if so, this was frustrated by the seizure and execution of Yang by the 'Young Marshal', Chang Hsueh-liang.

Despite Japanese warnings and threats Chang Hsueh-liang declared his allegiance to the Chinese Central Government in Nanking, and hoisted the (Kuomintang) National flag at the end of 1928. The National Government in return confirmed his position as head of the administration of the three north-eastern provinces, and of Jehol, and gave him the title of Commander-in-Chief of the North-eastern Frontier Army.

[1] See Chapter VI, pp. IOJ-6.

All this irritated the Japanese, but might not of itself have precipitated action on their part, because, despite outward changes in the administrative organization, 'the old system and its personnel continued to function as before. The interference of party branches with the local administrations, such as continually occurred in China, was not tolerated in Manchuria. The provision which required all important military officers and civil officials to be members of the Kuoniintang was treated as a mere formality. The relationship with the Central Government depended, in all affairs—military, civil, financial, and foreign—on voluntary co-operation*.[1]

What decided the Kwantung Army to strike down Chang Hsuch-liang was his continuance of the policy of building lines competitive with the S.M.R., and of utilizing lines intended to be feeders of the S.M.R. for this purpose. At die same time he refused to permit the Japanese *to* complete the strategic railway from Tunhua to the Korean border,[2] while in 1931 he allowed the Kuomintang to establish its branches throughout Manchuria and to conduct a vigorous propaganda against the whole complex of Japanese rights and privileges in Manchuria. 'In April 1931, a five-days' conference under the auspices of the People's Foreign Policy Association was held at Mukden, with over 300 delegates from various parts of Manchuria in attendance. The possibility of liquidating the Japanese position in Manchuria was discussed, the recovery of the South Manchuria Railway being included in the resolutions adopted.'[3]

The Chinese authorities appear to have calculated that they could carry out this policy without the Japanese daring to use force against them. They relied on their weapon of trade boycott, which they had previously used with effect in their general endeavour to secure the abrogation of special foreign rights and privileges in China. There were, indeed, certain Japanese business interests who were advocating die relinquishment of Japan's special rights in Manchuria so as to avoid further trouble with the Chinese nationalists.[4]

Such a pacific solution was anathema to the Japanese military

[1] *Lytton Report* (League of Nations Publication, 1932), p. 30.
[2]See Chapter VI, p. 108.
[3] *Lytton Report,* pp. 30-31.
[4] T. Takeuchi, *War and Diplomacy in the Japanese Empire* (London, Allen and Un win, 1936)P. 347.

leaders, and made them all the more resolved to seek a settlement by force of arms. In the summer of 1931, the murder of Captain Nakamura by Chinese soldiers in Manchuria gave the Japanese War Office the opportunity to take the Manchurian negotiations out of the hands of the Foreign Office. The Nakamura affair was represented to the Japanese public as a deliberate affront by the Chinese to the Japanese Army, which the latter was in honour bound to avenge. Marshal Chang, who was ill in Peip'ing at the time, realized the danger too late. Despite his despatch of a special emissary *to* Tokyo to seek an amicable settlement of the Sino-Japanese disagreements over Manchuria, a conference of high War *Office* officials was held in Tokyo on 15 September. Colonel Doihara, who attended the conference, went back to communicate the decisions of the conference to the Kwantung Army.[1] There can be little doubt what these decisions were.

Then came the 'incident' of 18 September 1931, in the form of a bomb explosion on the S.M.R. track near Mukden, which did only minor damage to the line, but which was the signal for the Japanese forces to go into action along the whole S.M.R. Railway Zone and to seize Mukden, Ch'angch'un, Antung, and other Chinese cities in this region. This initial blow was followed by the extension of Japanese military operations over all Manchuria. By the beginning of 1932, Japan had established control of the towns and main communication lines of Southern Manchuria, though it was not until the end of that year that the resistance of Chinese regular forces in northern and western Manchuria was overcome. In March 1933, Jehol in its turn was overrun, and added to 'Manchukuo\

The initial Japanese onslaught resulted in the complete disorganization of the civil administration of the City of Mukden and of the Province of Liaoning. Most of the prominent Chinese officials and many educational and business leaders fled; in the days following 19 September over 100,000 Chinese residents left Mukden by train and others went into hiding; the police and prison officers vanished and the municipal, district, and provincial administrations at Mukden completely broke down.[2] The Japanese installed Colonel Doihara as Mayor of Mukden, and with the aid

[1] ibid., pp. 346-9, *Lytton Report,* pp. 63-6.
> ibid., p. 88.

of an Emergency Committee, mainly composed of Japanese, he soon got order restored, and the municipal administrative services again in operation. On 20 October a Chinese municipal administration was established under Dr Chao Hsin-po, a Japanese-trained lawyer.

For Liaoning Province the Japanese organized a 'Peace and Order Maintenance Committee', which by 10 November had blossomed out into a Provincial Government and had severed relations with the former Government of Marshal Chang Hsueh-liang and with the Chinese Central Government at Nanking. A few days later the Province was given its old name of Fcngt'ien, and General Tsang Shih-yi, who had been Governor under Marshal Chang Hsuch-liang, and who had at first refused to serve the Japanese in the same capacity, was induced to do so. In Kirin Province, General Hsi Hsia, the acting-Governor, readily consented to serve the Japanese as also did General Chang Ching-hui, Chief Administrator of the Special Administrative District of the Chinese Eastern Railway, who became for a while Governor of Heilungchiang. Thus by January 1932, pro-Japanese regimes had been established in each of the three Manchurian provinces and a Japanese-controlled Emergency Committee had been established for the Special District of the C.E.R.

The next stage was to combine these local administrations, all of which had repudiated allegiance to both Chang Hsueh-liang and to the Chinese Central Government, into a new Manchurian State. The Lytton Report pointed out that in this task the Japanese were aided by the strength of the Chinese sentiment of local particularism and of attachment to particular leaders. Once the Japanese had won over, by cajolery or coercion, a leading military or political figure 'the support of his adherents over the whole area of his influence followed as a matter of course'.[1] When the Japanese had got the politicians and militarists who remained in Manchuria to support the new regime they installed Japanese in key positions as 'advisers' to control the actions and policy of their nominal Chinese superiors, while any recalcitrants were promptly deprived of office and property, even if no worse befell them. As attachment to the Kuomintang cause had been largely a matter of lip service in Manchuria and as the Chinese Central Government was in no position to render effective aid, it is not surprising that

[1] ibid.

the Japanese secured adherents; it is indeed creditable to the Chinese governing class in Manchuria that so many of them preferred to follow Chang Hsueh-liang into exile, although here also the factor of personal relationships played a leading part.

The Headquarters of the Kwantung Army, which shortly after the Japanese occupation of Mukden had moved to that city from Dairen, sponsored the organization of a * Self-Go vernment Guiding Board', of which the main purpose was to foster the independence movement. The chief of this Board was a Chinese, Yu Chung-han, but many of its members were Japanese and in reality they directed its activities. The central executive in Mukden promoted the organization of local self-government executive committees, first in Fengt'ien Province and then, as the Japanese hold on Manchuria was extended, in the remaining provinces. It supervised the work of these local organs, sent around propagandists and carried out an intensive campaign for the organization of a new State in Manchuria, independent of China. On 16-17 February 1932, a conference, which was attended by the pro-Japanese governors of the three north-eastern provinces, by the Mayor of Mukden and by two Mongol princes, who were respectively representative of the Barga Mongols and of those of the Cherim League, was held in Mukden. As a result, a North-eastern Supreme Administrative Council was set up to prepare the foundations of the new State. This body on 18 February issued a Declaration of Independence from China and, on the following day, decided to establish a Republic with its capital at Ch'angch'un, which was to be renamed Hsinking (New Capital), and to invite Mr Henry P'u-Yi, formerly the last Manchu Emperor, Hsuan T'ung, to become Chieh Cheng or Chief Executive. The Self-Government Guiding Board then proceeded to organize societies for the * Acceleration of the Foundation of the New State', mass meetings and provincial conventions. These were followed by an All-Manchuria Convention held at Mukden on 29 February, which denounced the regime of Marshal Chang Hsueh-liang, welcomed the creation of a new State and named P'u Yi as its provisional head. Then the North-eastern Administrative Council sent delegates to Port Arthur, where P'u Yi was residing, to offer him the headship of the new State, which, after the customary initial refusal, he accepted. On 9 March the Organic Law of 'Manchukuo' was promulgated and P'u Yi was formally installed as Chief Executive; the next day saw the appointment of the principal officers of State and on 12 March the foreign Powers were informed by telegram of the creation of 'Manchukuo' and were asked to accord recognition to it.

Such were the steps in the formation of 'Manchukuo' and, despite Japanese protestations to the contrary, it is evident that the whole 'independence movement' was initiated and carried through by the Kwantung Army, against the wishes of the mass of the Chinese population and also of the 'civilian' elements of the Tokyo Cabinet, which was afraid of the consequences to Japanese relations with foreign Powers of an action which constituted a stark defiance of the. League of Nations, and a mortal affront to her Chinese neighbour.[1] But the Japanese Army leaders were resolved to carry through their policy, as one aspect of their struggle for mastery in Japan itself, and their answer to the opposition, both overt and covert, which they encountered from elements in the Court aristocracy, business and financial circles, and party politicians, was the weapon of assassination. Mr Junnosuke Inouye, a former finance minister and a prominent member of the Minseito party, was murdered on 9 February 1932; on 5 March, Baron Dan, head of the Mitsui interests, was similarly struck down, and on 15 May die Premier of Japan, Mr Inukai, fell victim to a band of uniformed fanatics. Prince Saionji, the last surviving Genro, or elder statesman, Baron Makino, the Lord Privy Seal and many other Japanese statesmen and business men were on the death list of the Ketsumeidan, or Blood League.[2] In these circumstances it is not surprising that the new Government of Admiral Viscount Saito decided in July 1932 to uphold the actions of the Kwantung Army and to accord formal recognition to 'Manchukuo'. So by violence and terror alike in Manchuria and Japan, the Army got its way.

But, just as in Japan the Army's programme of territorial expansion received support from sections of the populace who hoped to benefit by the new opportunities of employment and profit which a Japanese-dominated Manchuria might bring them, so in Manchuria itself the independence propaganda received a ready welcome from those who had been discontented with the former regime. In addition to the Chinese politicians and militarists who were willing to serve the Japanese in order to preserve

[1] Takeuchi, op. cit., pp. 385-7. * ibid., pp. 382-3.

their large property holdings and in the hope of adding to them, the Japanese propagandists made a special appeal to the racial and religious minorities of the country—Manchus, Mongols, Mohammedans, Koreans, and White Russians, promising them the redress of their grievances, special protection for their interests, and appealing to their ambitions. The five-coloured flag of the new State was designed as a symbol of the equality of status and the harmony between the five races in Manchuria—Japanese, Koreans Chinese, Mongols, and Manchus—which the Japanese professed should henceforth be the keynote of policy, and it was not at first realized that the 'equality' would be only one of servitude to the Japanese masters of the country.[1] So, while there would have been no independence movement without Japanese instigation and direction, the movement once launched did secure a certain amount of spontaneous support. The mass of the Chinese people would undoubtedly have preferred the former regime, with all its shortcomings, but they had little voice in politics and were accustomed to adapt themselves to changes brought about by the influential and powerful. The openly hostile minority was driven out or dragooned into obedience, apart from the guerrilla elements which still conducted an active resistance in parts of the countryside.

The Japanese Cabinet's decision to accord recognition to 'Manchukuo' was accompanied by a further increase in the power of the Kwantung Army. In August 1932, Lieutenant General Shigeru Honjo, who had been Commander-in-Chief of the Kwantung Army during the 'Incident', was succeeded in this post by General Nobuyoshi Muto, who was concurrently appointed Governor of the Kwantung Leased Territory and Ambassador to 'Manchukuo'. The choice of one man to hold all three offices was intended as a unification of authority and an attempt to harmonize the different and sometimes conflicting Japanese jurisdictions there, though the appointment of a military officer to the headship of this 'three in one system' made it clear where the ultimate controlling power lay. But, as will be seen, the reform was not altogether successful in its objective.

On 15 September 1932, General Muto, in his capacity as Ambassador, and the 'Manchukuo' Premier, Cheng Hsiao-hsu, signed a Protocol of Alliance and a secret military agreement,

[1] For the treatment of racial minorities see Chapter IV.

which had been drafted in Tokyo and approved by the Privy Council and the Emperor. By the terms of the Protocol Japan accorded formal recognition to 'Manchukuo' as an independent State 'organized in accordance with the free will of its inhabitants*, while 'Manchukuo' agreed to confirm and respect all rights and interests possessed by Japan or Japanese subjects within its territory by virtue of Sino-Japanese treaties, agreements or other arrangements or contracts, whether public or private. By the second Article of the Protocol both parties, 'recognizing that any threat to the peace and order of one of the High Contracting Parties constitutes, at the same time, a threat to the safety and existence of the other', agreed 'to co-operate in the maintenance of this national security; it being understood that such Japanese forces as may be necessary for this purpose shall be stationed in Manchukuo*.'[1] Thus the fiction was solemnly proclaimed that 'Manchukuo' was an independent State and an ally of Japan, while the Kwantung Army, now greatly enlarged, and with its headquarters in Hsinking, was stationed in the country at the request of its government. In fact'Manchukuo'was and remained a mere puppet of the Japanese, and the power of the Kwantung Army was limited only by covert opposition to its policies on the part of Mantetsu (the S.M.R.) and other Japanese interests in the country, and of certain groups within the Japanese ruling oligarchy.

The divorce between apparent and real authority, which has always been a characteristic feature of Japanese political institutions, was equally evident in the 'Manchukuo' regime. The original constitution was established by die Organic Law of 9 March 1932; and was reorganized by the Organic Law of March 1934, when the 'Empire of Manchu' (Manchoutikuo) was established. Further constitutional readjustments were carried out in 1937 and 1940. The theoretical head of the State was the Chief Executive, who became Emperor in March 1934. He was invested with executive, legislative and judicial powers; he had the right to declare war, conclude peace and contract treaties, and was Commander-in-Chief of the 'Manchukuo' armed forces. But, like the Emperor of Japan, he did nothing without the advice of his ministers, and the counter-signature of the Premier was required for all State documents. The Premier was the head of the State Council; this body was reorganized in 1937, with the object of simplifying the

[1] *S.M.R. Fourth Report on Progress in Manchuria,* 1934, pp. 252-53.

adrninistrative structure, and effecting a greater measure of centralization by unifying the military and police departments in a single Department of Public Peace. It then had the six departments or ministries, of Public Peace, People's Welfare, Justice, Industry, Finance and Commerce, and Communications. In June 1940 the Department of Industry was aboUshed and the Department of Agricultural Development established to deal with agriculture, livestock, and forestry.[1] Mining, manufacturing, and the development of electrical power resources were at that time transferred to the Department of Finance and Commerce. There were also under the State Council the three Offices of Foreign Affairs, Home Affairs, and Hsingan Affairs. The Office of Hsingan Affairs was created in 1937 to replace the former Department of Mongolian Administration.

But the most important body in the 'Manchukuo' central government was the General Affairs Board of the State Council, which contained the six bureaux of Planning, Legislation, Personnel, Accounts, Statistics, and Information. The key post in the Government was that of Director-General of the General Affairs Board, and this was always held by a Japanese; while each of its bureaux was also headed by Japanese. It was the real director of policy and controller of all governmental activities; it appointed and dismissed officials, prepared the budget, and constituted what one Japanese officer of the Kwantung Army's General Staff termed 'a steel frame' holding together the whole regime.[2] The General Affairs Board was the stronghold of Japanese internal control over the 'Manchukuo' Government, but, to make assurance doubly sure, each of the ministries, or departments had a Japanese as vice-minister and each also had its own General Affairs Bureau, or secretariat, in which the controlling personnel, including the Bureaux heads, were Japanese.

The first Premier of 'Manchukuo' was Cheng Hsiao-hsu, the tutor and confidant of P'u Yi; he resigned in 1935, ostensibly for health reasons, but perhaps because he realized that the Japanese had no intention of giving the Emperor any real authority, or of aiding his restoration to the Dragon Throne in Peking. Cheng was succeeded by General Chang Ching-hui, who, after joining the Japanese in 1931, had been War Minister and President of the

[1] For the increased attention paid to agricultural matters after 1939 see Chapter IX.
[1] *The* Timey, 17 May 1932.

Privy Council. Chang Ching-hui, Hsi Hsia, Chang Hai-peng, and Tsang Shih-yi were all Fengt'ien military men of the old war-lord type. They had been former adherents of Chang Tso-lin and Chang Hsueh-liang, and were prompt to go over to the Japanese in 1931. They were, as has been shown, useful in the initial stages of the formation of 'Manchukuo' and remained as representatives of the militarist-landlord class, whose adherence to the Japanese carried with it that of their subordinates and territory. They were mostly old men and their positions in the Government, which was frequently reshuffled, tended to become more ornamental, especially after the reorganization of May 1937. A younger and rather different type consisted of Chinese who had been educated in Japanese institutions, either in those maintained by the S.M.R. in Manchuria, or in universities in Japan itself, and some of whom had been in the service of the S.M.R. Typical of these were such men as Ku Tzu-hung, who was a Vice Secretary-General of the General Affairs Board, and successively Minister of Welfare and of Communications; Yuan Chen-tao, a graduate of Kyoto Imperial University, who successively held the posts of Minister of Education, Ambassador to Japan, and Minister of Communications; and Yen Chuan-fu, a graduate of Tokyo Imperial University, the leading Japanese university, a former S.M.R. employee, who held municipal and provincial gubernatorial posts in the 'Manchukuo' regime before becoming Minister of Justice in 1942. These men and others with similar careers, because of their training in Japanese administrative methods and their close ties with Japan, were somewhat more useful to the Japanese than the old-style Chinese officials and their subordinates.

The Japanese effected a thorough reorganization of provincial and local administrative units; the guiding principle in this reform was to ensure the complete subordination of the local governmental bodies to the central government in Hsinking. Under the former Chinese regime the governors of the three provinces of Liaoning, Kirin, and Heilungchiang had enjoyed a quasi-independent status, with their own provincial troops and their own financial and judicial departments. Under the 'Manchukuo' Government a 'Local Administrative Research Commission' was appointed in February 1934. As a result of its deliberations, the existing provincial units were subdivided into fourteen new provinces. Further subdivisions effected during 1937-42 created five additional provinces, so that in all, there were nineteen of them—Fengt'ien, Kirin, Lungchiang, Pinchiang, Jehol, Chinchow, Antung, Sanchiang, Chientao, Heiho, Mutanchiang, Tunghua, Tungan, Peian, Ssup'ing and the four Hsingan (Mongol) Provinces—east, west, north, and south. The more populous and developed provinces had an administration composed of a governor, a vice-governor, a secretariat, and the Boards of Police Affairs, Pubhc Welfare, Industry, and Public Works. In less developed provinces the two last named Boards were omitted, while the sparsely populated northern frontier province of Heiho had a special administrative system, with General Affairs, Police, and Public Welfare sections, and its *hsien,* or district offices, were simply branches of the provincial government. The Hsingan provinces had no vice-governors, but counsellors appointed to each of the Mongol 'banners'.

The provincial administrations, with the exception of the Hsingan provinces, were placed under the control of the Department of Civil Affairs, which was replaced by the Office of Home Affairs in 1937. The Hsingan provinces were at first under the Department of Mongolian Administration, created in 1934 and replaced in 1937 by the Office of Hsingan Affairs. The provincial governors were all civilians, and the 'Manchukuo' troops stationed in the provinces were a part of the 'Manchukuo National Army' under the command of officers appointed by the Central Government. The control of finance was taken from the provincial authorities, and handed over to the revenue officials of the Central Government who were stationed in each province. All provincial taxes were collected by these officials, and the expenses of provincial administration were defrayed by the Central Treasury. Judicial functions were performed by judges appointed for life by the Central Government, and independent of the local authorities.

In addition to the nineteen provinces there were, until July 1937, the two Special Municipalities of Hsinking and Harbin. These were independent of the provincial jurisdiction and under the direct control of the Central Government, with a mayor, who was appointed by the Government and was assisted by a carefully hand-picked city council. The Harbin Special Municipality was abolished in July 1937 and Harbin was reduced to an ordinary municipality.

The provinces were subdivided into *hsien* or prefectures, each headed by a prefect appointed and controlled by the provincial governor. The prefects were aided by a committee, nominated by the prefect with the approval of the local governor. Within carefully circumscribed limits the prefectural bodies handled their own local finances and general administrative affairs except in Heiho Province.

Japanese official sources made no secret of the fact that these provincial and district administrations were as thoroughly under the direction and control of Japanese 'advisers' as was the Central Government in Hsinking, although they said that there were not as many Japanese officials in the Hsingan provinces as there were elsewhere. Tn the Provinces of Kirin, Lungkiang, Jehol, Pinkiang, Chinchow, Heiho and Sankiang, the *hsien* and banner offices are under the exclusive direction of Japanese officials who number altogether 300, one or two and sometimes more petty officials being stationed under the Japanese councillor for each county. So far as local government is concerned the whole matter may be said to be under the direction of these Japanese councillors, a situation quite contrary to that of the pure Mongol areas/[1] Even had they wished it otherwise, the almost total lack of competent Chinese who could be trusted to serve the 'Manchukuo* regime left the Japanese with no option but to run the administration themselves.

The 'Manchukuo' Government, therefore, was essentially a Japanese one, with a Chinese facade which did not conceal the real state of affairs from either Chinese or foreign observers. The non-Japanese members, from the Emperor downwards, were under the constant surveillance of their Japanese masters; they went nowhere and did nothing without the Japanese at their elbow, especially in any matter which involved contacts widi foreigners. The effectiveness of the regime consequently depended upon the characters and abilities of its Japanese personnel. While the Kwantung Army exercised a general supervision over the appointment and conduct of the Japanese administrators in 'Manchukuo', it could not itself supply all of them. Moreover, it needed to reward its camp-followers, and also to gain support in Japan by giving opportunities of employment in Manchuria to the many Japanese graduates of higher schools and universities who were unable to

[1] *Japan-Manchoukuo Year Book* 1939 (Tokyo,The Japan-ManchoukuoYear Book Co.), p. 6 j 1.

obtain official or business posts because of the prevalent depression. The Army was trying to wean such unemployed members of the intelligentsia from 'dangerous thoughts', especially of a Marxian character, by dangling before them the glittering prospect of profitable careers in the new State. The result was that, especially during the first years of Japanese domination, the quality of the Japanese administrative personnel left much to be desired, even from the Japanese standpoint. Many of the Japanese officials were as corrupt and predatory as the worst type of Chinese official; others were more honest and idealistic but completely inexperienced and without any administrative ability. It was difficult for the Kwantung Army to secure a really good class of Japanese administrator, because such first-rate men, whether they were in Japanese Government service at home or in that of the S.M.R. in Manchuria, had no desire to enter the 'Manchukuo* regime and come under the control of the Japanese military, with whose plans and policies they were not in complete sympathy. Furthermore, in so far as the services of such men were obtained, this was often for a limited period only, and they were apt to be transferred elsewhere before they had been in the country long enough to have acquired a sufficient grasp of its especial characteristics and needs. In the later years of the 'Manchukuo' regime there were some able men, mostly graduates of the Law Faculty of the Tokyo Imperial University, in the higher administrative posts. Typical of these were Naoki Hoshino, Director-General of the General Affairs Board from 1937 to 1940, and his successor, Rokuzo Takebe.[1] But even they were more concerned with riveting Japanese control upon the country and executing the Army's plans of industrial development for war purposes, than in furthering the moral and material welfare of the mass of the Chinese inhabitants, to whom the authoritarian and bureaucratic methods of the Japanese were alien and unwelcome. Moreover, the good intentions of some of the men at *the* top were frustrated by the conduct of the petty Japanese official, who too often owed his post to influence, and whose one concern was to make money as quickly as possible and then return to the more congenial surroundings of his homeland.

[1] Hoshino was originally Vice-Director of the Finance and Commerce Department and rose to be Director-General. In 1940 he became President of the Planning Board of the Japanese Cabinet, but Zaibatsu opposition to his schemes led to his resignation in 1941. He came back in October 1941 as Chief Secretary in the Cabinet of General Tojo, 1941-44.

There was also a further factor of great importance; namely, the language barrier. Few Japanese are good linguists, a fact which appears due more to the defects of the Japanese educational methods than to any inherent incapacity.[1] This applies as much to their knowledge of Chinese as to that of western languages. It obviously reduced their efficiency as administrators, and prevented even those who wished to do so from obtaining any sympathetic understanding of the people over whom they ruled. It also left them very much in the hands of interpreters, Chinese, Korean, and 'White Russian' subordinates, who were intermediaries between the Japanese and their own communities. The Japanese in particular made extensive use of the Koreans in Manchuria, many of whom had acquired a fluent knowledge of Chinese. Men in this situation could in fact exercise far more power than their actual positions would warrant, and had every opportunity to use it for interested ends, by protecting and favouring their friends or other benefactors, and by slandering and denouncing their private enemies. In view of the suspicious nature of the Japanese, especially among a populace whom they knew resented their presence, it is easy to see that this linguistic difficulty constituted a fertile source of injustice, oppression and illegal gain.

Tins was especially exemplified in the actual working, as distinct from the theoretical organization, of the judicial and police systems. The Japanese paid close attention to these, partly as an effective means of consolidating their hold upon the country, partly in connexion with the abolition of Japanese extraterritorial jurisdiction in Manchuria and the transfer to 'Manchukuo' of administrative rights in the S.M.R. Zone. In pursuance of these objectives the Japanese set about the reorganization of judicial administration, the formulation and promulgation of new codes of law, and the remodelling of the police and prison systems. Judicial institutions were placed under the direction of the Department of Justice, which, as reorganized in 1937, contained a Secretariat—formerly the Bureau of General Affairs—and the Bureaux of Civil Affairs, Criminal Affairs, and Penal Administration. The Courts Organization Law which was promulgated on 4 January 1936, and made operative from the following July, estabhshed four classes of court—Sub-District, District, High, and

[1] This matter is excellently dealt with by John Morris in his book entitled *Traveller from Tokyo* (London, Cresset Press, 1943), pp. *S&-S9-*

Supreme Court. The Sub-District Courts were courts of first instance for minor civil and criminal cases, the District Courts handled more important first instance cases and also appeals from the Sub-District Courts, The High Courts were courts of first instance in cases of treason and insurgency and were courts of appeal from the lower courts. The Supreme Court in Hsinking was the highest appellate court.[1] Side by side with the Courts were the Procurator's Offices, headed by a Supreme Procurator. The procurators initiated prosecutions, issued warrants of arrest, conducted investigations and supervised the execution of sentences; they had their own courts and judicial police; and, in 'Manchukuo', were independent of the ordinary courts. The procurators also supervised the Sub-District Trial Offices, established by the Japanese in 1937 and following years to replace the former branch offices of the *hsien* magistrates.

In 1936, the Japanese established a special commission of Japanese legists to revise and codify the whole body of law operative in Manchuria and, as a result of the labours of this commission, new codes of civil and criminal law and procedure, as well as commercial codes, corporation laws, property registration laws, banking laws, maritime laws, and numerous other laws were promulgated during 1936-37.[2]

In 1932, the various existing police forces were placed under the Department of Civil Affairs, and, in order to secure a reliable force, special inducements in the form of increased salaries and enhanced social prestige were afforded the police. The work of reformation took some time, but in 1937 a centralized civil police administration had been established under the direction of the Bureau of Police Affairs of the Department of Public Peace, to which the control of police matters was transferred by die administrative reorganization of July 1937. Directly under the Central Police Bureau were the provincial bureaux and the metropolitan police in Hsinking, and subordinate to the provincial bureaux were the district police offices, with the town and sub-district ones below these. A Central Police Training School was established in June 1932, and provincial and local training schools in subsequent years, while selected native police were sent annually to Japan for training. Similar reforms were carried out in prison administration and conditions.

[1] *S.M.R., Sixth Report on Progress in Manchuria,* **1939, pp. 12-13.** **2 ibid., p. 17.**

On paper, therefore, the Japanese provided 'Manchukuo' with a modernized judicial, legal, and police system, which their official publications pointed to with pride as an eminent example of the great progress 'Manchukuo' was making under Japanese supervision. But, while some real improvement over the pre-existing conditions was effected, the reality was very different from the roseate picture painted by the Japanese. In the first place, these sweeping reforms in law, judicial administration, and police organization were devised by Japanese and were an imposition upon Manchuria of Japanese legal and judicial concepts and methods. They were part of the process of 'Nipponizing' Manchuria and of making it in reality part of the Japanese Empire. Furthermore, the law courts, police, and prisons in Manchuria were staffed by Japanese nationals to an even greater degree than was the case with other branches of the 'Manchukuo' administration, so that what happened in reality in 1937 was not the subjection of Japanese in Manchuria to a native Chinese jurisdiction, but rather the imposition of Japanese courts and police upon the whole Manchurian people. One Japanese official publication naively remarked that 'a special effort was exerted in the appointment of highly educated and experienced Japanese judicial officials and jurists to all important posts, both to rejuvenate and to uplift the standard of judicial administration and practices as well as to train Manchu (sic) officials and jurists. Over 1,000 Japanese judicial officials and jurists were invited to 'Manchukuo' during the past six years (1933-39) and the judicial administration to-day shows an astonishingly modernized front for such a youthful nation ... so much so that Japan is willing to relinquish her extraterritorial rights/[1] Another Japanese source declared in 1937 that out of approximately 90,000 police in Manchuria, 10,000 were Japanese, and added that 'many more years will have to intervene before all judicial administration and police jurisdiction are placed under the sovereignty of'Manchukuo'.[2]

Japanese official publications denounced the administration of justice in Manchuria before 1931 as inefficient, corrupt, and arbitrary, as well as subject to political and military interference. While these charges were not baseless, the Japanese claim that their reforms had removed these abuses cannot stand examination.

[1] *S.M.R. Sixth Report on Progress in Manchuria,* 1939, p. 16.
* *Contemporary Manchuria,* Vol. I, No. 4, November, 1937, p. 45.

The police methods, criminal procedure, and prison conditions in Japan itself, as applied to Japanese, are extremely harsh, at least if judged by Western democratic standards. An accused person is considered guilty unless he can establish his innocence beyond question, and this he has very little chance of doing since the scales of justice are weighted heavily against him. He can be detained under arduous conditions for long periods before being brought to trial, during which time he undergoes repeated examination by police officers whose chief concern is to extract a confession of guilt by whatever means they consider expedient, including torture. Once a confession is extracted the defence lawyer at the trial cannot deny the prisoner's guilt, but can only set forth extenuating circumstances, while, should the prosecutor and trial judge so decide for 'reasons of State', the prisoner may be denied the right to call witnesses in his defence.[1] Juries are not usually empanelled even in Japan, and there is no reference to any provision for trial by jury in 'Manchukuo'.

In Manchuria, what has already been said about the poor quality and linguistic deficiencies of some of the Japanese administrative personnel applies especially to the police. Nor, of course, were the shortcomings of the Chinese police miraculously eradicated by their enforced or interested allegiance to 'Manchukuo', and instruction in the principles of Wang Tao, of which more will be said in the following chapter. One particular feature of the 'Manchukuo' regime was the considerable number of Koreans employed in the police force and these had an especially bad name for brutality and venality. Nothing is more true in human experience than that the worst oppressor is he who has himself been oppressed. The so-called 'mobile police', an anti-bandit force, employed by the Japanese during the first years of the regime, were particularly dreaded, since they were composed mainly of Japanese *soshi*, or thugs, and low class Koreans; this force was for a while headed by Captain Amakasu, the man who gained notoriety in 1923 by his murder in prison of the Japanese socialist Osugi and his wife.[2]

Finally, behind and above the civil police stood the Kwantung Gendarmerie, who enjoyed both military and civil jurisdiction in

[1] Morris, op. cit., pp. 112-118. This description refers to the situation in Japan prior to her defeat and the reforms initiated by S.C.A.P.

[2] *Manchester Guardian*, 9 November 1932.

all cases of a political character. They were the equivalent of the Kempeitai, or military security police in Japan, and their chief duty was not the preservation of discipline in the Japanese Army, but the discovery and suppression of all disaffection to the regime. Their organization, powers, and methods were broadly similar to those of the nazi Gestapo, or the soviet N.K.V.D., and it went ill with any who incurred their suspicion.

In these circumstances the relinquishment of Japanese extraterritorial rights, and the transfer of the administration of the S.M.R. Zone to 'Manchukuo' may at first sight seem to have been simply farcical. But such a conclusion would miss the true significance of this step. The Japanese Government did not engage upon detailed negotiations and involve itself in a monetary burden simply to practice a deception upon the outside world. It is true that this motive may have been present, as well as the desire to embarrass the Western nations in their dealings with China. But the leitmotiv of the transfer is to be looked for in the struggle of the Kwantung Army to dominate, and as far as possible eliminate, all other and rival Japanese authorities and jurisdictions so as to have no impediments to its plans for the political and economic reshaping of Manchuria. It was also intimately connected with the struggle of the 'nrilitary' and the 'civilian* elements in the Japanese Cabinet and ruling oligarchy.

The combination in 1932 of the three offices of Commander-in-Chief of the Kwantung Army, Governor of the Kwantung Leased Territory, and Ambassador to 'Manchukuo* in the person of General Muto, did not prove satisfactory. It placed a heavy burden on one man and was said to have been partly responsible for the death of Muto in July 1933.[1] Furthermore, it did not eliminate rivalries between the civil officials, including the civil police of the Kwantung Leased Territory and the Railway Zone, and the Kwantung Army and its Gendarmerie. The worst feature of all, from the standpoint of the Army, was that it made General Muto simultaneously responsible to three different authorities in Tokyo—as Commander-in-Chief he was responsible to the War Office; as Ambassador, to the Foreign Office, and as Governor of the Kwantung Leased Territory, to the Ministry of Overseas Affairs. The object of the Kwantung Army was to eliminate the Foreign Office and the Ministry of Overseas Affairs from the

[1] He was succeeded by General Hishikari.

scene, and in this it had the backing of the War Office in Tokyo, headed by the 'Big Three' in Japanese military circles—the War Minister, the Chief of the General Staff, and the Inspector-General of Military Education—who were largely independent of Cabinet control. The first two of these had the right of direct access to the Emperor, which often meant the final voice in the decision of national policies. During 1934, there were frequent conferences *in* Tokyo between the interested Ministers, and it was only after a protracted struggle that the Army got most of what it wanted in the form of the administrative changes in Japan and 'Manchukuo', which went into effect on 26 December 1934.

In Tokyo this resulted in the formation of the Taiman Jimu-kokyu, or Manchurian Affairs Board, of which the Minister of War was concurrently the President, thus ensuring military control of Manchurian policies. In 'Manchukuo' the Commander-in-Chief of the Kwantung Army remained also Ambassador to the 'Manchukuo* regime; in the latter capacity he was, in purely diplomatic matters, under the supervision of the Foreign Minister in Tokyo, acting through the Councillor of the Japanese Embassy in Hsinking. Actually, this 'Embassy' was housed in a part of the Kwantung Army Headquarters in Hsinking, and appears to have acted mainly as a liaison between the Army and the General Affairs Board of the 'Manchukuo' Government. The Japanese Premier could deal with the General-Ambassador only through the Manchurian Affairs Board in Tokyo. In effect, therefore, the Army had control with a little 'face-saving' for the Foreign Office. General Jiro Minami was appointed the first Commander-in-Chief and Ambassador under the new arrangements; he was succeeded in April 1936 by General Kenkichi Uyeda, who was in turn replaced in October 1939 by General Yoshijiro Umezu. He gave place to General Otozo Yamada in 1944.

The Overseas Ministry was eliminated altogether from Manchurian affairs through the subordination of the Kwantung Government to a Kwantung Bureau in Hsinking, headed by a Director-General, appointed by the General-Ambassador. The Police Department and the Supervisory Department of die Kwantung Bureau in Hsinking were headed respectively by the Commander of the Kwantung Army Gendarmerie, and the Director of the Military Communications Supervisory Board, also of the Kwantung Army. This meant that the civil administration of the

Leased Territory was entirely subordinated to the military. So was the administration of the S.M.R. Zone, which was equally put under the control of the Kwantung Bureau. The civil police of the Leased Territory, who also functioned in the Railway Zone, strongly resented their subordination to the Gendarmerie, and threatened a strike,[1] but were persuaded to accept the situation by the ubiquitous General Doihara.

The Army had not succeeded in incorporating the Leased Territory entirely into 'Manchukuo' as some of its enthusiasts advocated, but it had gone far in that direction, while it had also consolidated its hold upon the S.M.R. Zone. Its next objective was to bring that Zone entirely under its control through the transfer of the administration to 'Manchukuo', which would also bring the S.M.R. itself to heel.

The S.M.R. (Mantetsu) had, ever since its organization in 1906, been far more than a simple railway company. It was a semi-official organization and, was in many ways, the spearhead of Japanese economic penetration of Manchuria. It was justly proud of the great organization it had built up, with multifarious economic, industrial, administrative, scientific, and educational activities. Its thousands of employees had developed an *esprit de corps* of their own, as Japanese organizations, inheriting the traditions of the millcnium of feudal institutions, are apt to do. Although in many ways it was an agent of Japanese imperialism, it had an outlook and policy of its own which did not coincide with that of the Army. While it had suffered from the nationalist policies pursued by Marshal Chang Hsuch-liang, and was therefore not sorry to witness the overthrow of his administration, it was a civilian organization interested in profit-making, and as such, had as a whole no sympathy with the national socialist theories of the 'Young Officer' element in the Japanese Army. So while the S.M.R. could not publicly oppose the actions of that Army after 1931, it is doubtful how far it really approved of the establishment of 'Manchukuo*, and of the uneconomic enterprises to which it was forced to subscribe.[2] Its many employees in the administrative and educational activities of the Railway Zone had no desire to be transferred from its service to that of 'Manchu-

[1] *The Times,* 18 October 1934.

[2] For these see Chapter VIII. The S.M.R, was not entirely free from the fanatical element. One example was Shumei Okawa, who was involved in the Mukden Incident, and in assassination plots in Japan.

kuo,' nor is it likely that the generality of the Japanese residents in the railway towns approved of the change.

The relinquishment of Japanese extraterritorial rights and the transference of administration in the S.M.R. Zone were not accomplished without long and complex negotiations during 1935-37. The question had been raised as early as 1932, soon after the establishment of 'Manchukuo', but it was not then a matter of practical politics.[1] It was taken up again in both Japan and 'Manchukuo' in 1934, and in February 1935, the Tokyo Cabinet appointed a Preparatory Committee, composed of officials of the Foreign Office, the Manchurian Affairs Board, the Army and Navy, and the Department of Justice. At the same time, a similar Committee was created in Hsinking, which comprised representatives of the Kwantung Army, the Japanese Embassy, the Kwantung Bureau and the 'Manchukuo* Government. The S.M.R. was not at first represented on this body, but it established its own Preparatory Committee in August 1935. *On* the ninth of that month the Tokyo Cabinet announced its intention to relinquish Japanese extraterritorial rights in 'Manchukuo' by gradual stages and to adjust and eventually to transfer the administration of the S.M.R. Zone. It was made clear that the Kwantung Leased Territory was not to be included, and the Japanese communities in the railway towns were promised that they would not be subjected to sudden and violent changes. The negotiations which followed, ostensibly between the Japanese and 'Manchukuo' regimes, in reality between the military and civilian Japanese authorities, were concerned with the future status of the S.M.R. and of other Japanese companies in Manchuria; the rate and apportionment of taxation upon Japanese subjects; the provision of safeguards as to status, salary, and pensions for S.M.R. employees; the financing of educational institutes hitherto maintained by the S.M.R.; compensation to the S.M.R. for transferred property and equipment, and many other complex questions. The S.M.R. fought hard for the best terms it could get and won some substantial concessions.

The first Japan-'Manchukuo' Extraterritoriality Treaty was signed in Hsinking on 10 June 1936, and went into force on the following 1 July. By the first Article, Japanese subjects were given full freedom of travel, residence, and engagement in industrial

[1] ***S.M.R. Sixth Report on Progress in Manchuria,* 1939, p. 25.**

and commercial occupations, and also the right of landownership throughout 'Manchukuo*. The second Article provided for the subjection of Japanese nationals to the laws of 'Manchukuo* subject to the stipulations of the Supplementary Agreement to the Treaty. By Article IV, it was agreed that the Treaty should not 'prejudice the rights, privileges, immunities, and exemptions of particular Japanese subjects or juristic persons based on the special engagements entered into between Japan and 'Manchukuo'.[1] This Article represented a victory for the S.M.R. The 'Manchukuo' representatives had contended that all Japanese juristic persons should fall under 'Manchukuo* laws and regulations, whereas the S.M.R. representatives declared that the Company was established as a special corporation by Imperial Ordinance, and should therefore be exempt from 'Manchukuo' law.[2] In this the S.M.R. won its case, and so escaped complete control by the Army, and it maintained its exemption in the definitive Treaty of 5 November 1937, which provided for the relinquishment of extraterritoriality and the transfer of the S.M.R. Zone as from 1 December 1937. In the negotiations which preceded this second Treaty and accompanying Agreements, the S.M.R. managed to secure adequate compensation for its transferred properties, better terms for those of its employees, numbering nearly 7,000 in all, who were affected by the change, than the 'Manchukuo' regime was at first disposed to accord, and freedom from contributions for educational expenses after the transfer of its schools.

In practice, the Treaty involved a transfer of jurisdiction and of personnel between Japanese authorities, the Chinese inhabitants gained nothing by it.[3] The Japanese civil police in the Railway Zone and the consular police in Manchuria generally now came under the authority of the 'Manchukuo' regime, as did the general Japanese community in Manchuria. This meant that they were under the control of the Kwantung Army, but as 'Manchukuo' courts and laws were in effect Japanese courts and laws, there was no subjection of Japanese to Chinese jurisdiction. Japanese schools and shrines remained under Japanese control, and the Japanese

[1] ibid., p. 164.
[2] ibid., p. 3 1.
[3] 1,396 Japanese Consular Police, 3,723 Kwantung Bureau Police, ico judicial officers, 1,500 Kwantung Bureau postal employees, 340 tax officials, and 6,884 employees of the Local Administration Bureau of the S.M.R. were among those transferred to employment by the * Manchukuo' Government, ibid., p. 57.

Government retained the right to conscribe its nationals for military service.

By a declaration of 5 November 1937, the 'Manchukuo' Government announced that, as an independent State, 'Manchukuo' was not bound by the foreign extraterritorial treaties with China, consequently foreigners were deprived of their special rights and made amenable to 'Manchukuo' laws and law courts, which meant in reality that they were subjected to Japanese jurisdiction. Protests were unavailing, but one consequence was to hasten the withdrawal of foreign firms from the country and to enhance Japanese control over foreign educational and missionary institutions, of which the Japanese Army was intensely suspicious.

This consolidation of control effected by the Kwantung Army and accompanied by the subordination or elimination of all rival authorities, cleared the way for the unhampered application of its plans of State-controlled economic development, with a view to organizing in Manchuria a continental war base free from what the advocates of a planned economy regarded as the deleterious influences of Japanese private capitalistic organs. The 'Manchurian school* also hoped eventually to impose a similar militarist-bureaucratic structure upon industry in Japan itself, but the opposition of the Zaibatsu prevented them from achieving full success in this, even after the outbreak of the Pacific War in 1941.[1] Hence in Manchuria the Japanese Army secured a degree of control which it never quite attained in Japan, even during 1941—45.

In November 1942, the Greater East Asia Ministry was established and the Manchurian Affairs Board, together with the China Affairs Board and the South Seas Affairs Board, became bureaux of this Ministry. But with General Tojo, who had been Commander of the Gendarmerie of the Kwantung Army and later its Chief of Staff, as the Premier and War Minister; Naoki Hoshino as Chief Secretary; and Kazuo Aoki, a bureaucrat who had seen service in the 'Manchukuo* administration, as head of the Greater East Asia Ministry, the militarist and bureaucratic regime in 'Manchukuo' remained undisturbed by the new arrangements in the Tokyo Government.

[1] See T.A. Bisson, *Japan's War Economy* (New York, Institute of Pacific Relations Publications Office, 1945) for an account of the war-time relations of Army and Zaibatsu.

CHAPTER III

Attempts to Foster 'Manchurian' National Feeling

SINCE it was the policy of the Kwantung Army chiefs to avoid outright annexation of Manchuria by Japan and instead to establish an ostensibly independent State, they strove to foster a 'Manchurian national sentiment* as a counter to the concept of the common nationality of all Chinese which was propagated by the Kuomintang. This they attempted in the first place by naming the new State 'Manchukuo', by terming its Chinese inhabitants 'Manchurians', and by selecting die last Emperor of the Ch'ing dynasty as its ostensible ruler. The proclamation of the establishment of 'Manchukuo* on i March 1932 was timed to be the exact anniversary of the establishment of the Manchu dynasty in Peking in 1644.[1]

The objective in all this was not merely to appeal to the racial consciousness of the Manchu minority, which, for the most part, though not entirely, had become thoroughly sinicized. The Manchu conquest of China in the seventeenth century had been made possible largely through the support the Manchu conquerors had received from the Chinese-settled region of southern Manchuria; it was indeed a Manchurian bom Chinese, Wu San-kuei, who had occupied Peking in the name of the infant Ch'ing emperor. At that time a Manchurian empire, with its capital at Chcnyang (Mukden) had existed for two decades,[2] The initially-conquered Chinese inhabitants of Liaoning had accepted its sway, and so had the Mongols of the Jehol and Chahar regions. In 1635, all the Mongols living south of the Gobi desert accepted the suzerainty of the Manchu ruler and gave him the State seal of the former Yuan (Mongol) emperors; by this act they recognized him as the legitimate heir to the overlordship of Genghiz Khan. It was this Manchu-Chinese-Mongol State which conquered China south of the Wall after the Ming Empire had collapsed through internal revolt, and it was to the memory of this that the Japanese were appealing when they installed P'u Yi (the ex-emperor Hsuan T'ung) as their chief puppet. They saw nothing incongrous in the fact that he was

[1] *S.M.R. Fourth Report on Progress in Manchuria,* 1934, p. 46.
[8] Its rulers termed their dynasty the Later Chin down to 1636; after that the Ta Ch'ing.

so obviously on their leading-strings; they had a great reverence for forms, and their own emperors had been in little better case for centuries. P'u Yi himself owed nothing to the Chinese Republic; he had seen the terms of the abdication agreement flouted, and in 1924 had been compelled to flee for his life from his palace in Peking, when he had found shelter in the Japanese Concession in Tientsin, after he had first unavailingly sought British protection. The Japanese had kept him as a valuable political pawn until the day came when he could be of use. Then, in November 1931, Colonel Doihara had brought him to Port Arthur where he remained until his invitation to become 'Chief Executive' of 'Manchukuo'. He had received a Western education under the auspices of Sir Reginald Johnstone and preferred to be known as Henry P'u Yi; his first wife, a grand-daughter of a former Governor of Kirin, had been trained in an American missionary school and had taken the name of Elizabeth. Since the fall of Japan and 'Manchukuo' and his detention by the Russians, P'u Yi has pleaded that he was a prisoner in the hands of the Japanese and had no option but to do their will. In 1932 some of his entourage were said to have disapproved of his going to Manchuria, though others, including his former tutor, Cheng Hsiao-hsu, who became the first Premier of 'Manchukuo', were eager for it, because they thought that it would prove to be a first step to P'u Yi's restoration to the Dragon Throne in Peking. The Japanese also played upon the bitterness naturally felt by P'u Yi at his treatment in 1924, and upon his anti-Communist sentiments.[1]

Whatever hopes P'u Yi may have cherished of recovering, through Japanese assistance, the throne of his ancestors, were doomed to disappointment. During 1932-33 there were rumours that the Japanese intended an imperial restoration in Peking, and it is just possible that had the fighting in North China and at Shanghai developed into a general Sino-Japanese War, this might have occurred. But the Tangku Truce of 31 May 1933 ended Sino-Japanese hostilities for the time being. Meanwhile, in March 1933 the 'Manchukuo' Government had appointed a Constitutiona Commission and had organized petitions throughout the country for the enthronement of P'u Yi as Emperor of 'Manchukuo'. This took place on 1 March 1934. He did not resume his former reign title of Hsuan T'ung, but assumed that of K'ang Te (Tranquillity

[1] *New York Times*, i March 1934.

and Virtue), thus showing that this was not a Ch'ing restoration, but the establishment of a new monarchy, and the final step in the separation of Manchuria from China. At the same time the name of the new State was enlarged to 'Manchoutikuo'or'Manchu Empire'.

After the outbreak of the 'China Incident' of July 1937, and the Japanese conquest of North China and of Inner Mongolia, there were renewed rumours that the Japanese intended to bring P'u Yi to Peking (as they once more called the former capital) and restore the Chinese monarchy, but nothing came of these. Japanese policy in China was one of *divide et impera* and in pursuance of this they created separate puppet regimes in Inner Mongolia, North China, and the Yangtze Valley. Even when these were nominally subordinated to a 'National Government' at Nanking under Wang Ching-wei, 'Manchukuo' was left politically separate and independent. The Japanese had no intention of putting P'u Yi in a position where he might attain any real authority, or of relaxing their complete control of Manchuria. Furthermore, the fall of the Ch'ing dynasty had left the Japanese Emperor as the only 'Son of Heaven' in Asia, and so well placed to be the one titular head of the new Asiatic order which the Japanese were trying to establish. Neither the Japanese Court aristocracy nor the military chiefs wished to alter that situation or to re-establish a potential rival to the all-embracing claims of the Tcnno. As ruler of Manchuria P'u Yi was simply a protdge* of the Emperor of Japan, and P'u Yi's inferior position was carefully emphasized by his being induced to worship at the Shinto holy of holies, the sacred shrines of Isc, during his occasional visits to Japan, and by the establishment in 1939 of a shrine of the Japanese Sun Goddess in the Manchurian Emperor's palace at Hsinking. Thus P'u Yi acknowledged Amaterasu as the patron deity of'Manchukuo.[1] In 1937 his younger brother and designated successor, P'u Chien, was married, according to Shinto rites, to a Japanese noble lady, the grand-daughter of Marquis Saga.[2] Thus the last representatives of the proud Ch'ing dynasty were relegated to the position of Japanese nobles, and were in fact petty vassals of the Japanese Emperor, to whose supposed ancestors they were compelled to pay worship.

The overthrow of Chinese authority in Manchuria and the

[1] *New York Times,* 25 February, 16 July 1939.

* ibid., 1 March, 4 April 1937. In his evidence as a witness before the War Crimes Commission in 1946 P'u Yi declared that the Japanese poisoned his first wife and then tried to make him marry a Japanese lady, but that he married a Chinese girl instead.

establishment of the new regime was immediately followed by a drastic revision of the educational curricula in Manchurian schools. The Japanese already exerted a considerable influence upon education through the medium of the schools established in the Kwantung Leased Territory, and in the S.M.R. Zone. The schools in the Leased Territory were maintained by the Kwantung Government, and those in the Railway Zone mainly by the S.M.R. Company, which between 1906 and 1937 spent 25 million yen on the provision of school buildings and equipment and had come to have an annual educational budget of over 4 million yen.[1] These schools were mainly for Japanese, but provision was also made for Koreans and for Chinese. The following tables show the relative educational facilities for the three races in the Leased Territory and Railway Zone.[2]

JAPANESE SCHOOLS IN MANCHURIA

A. SCHOOLS FOR JAPANESE

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

B. SCHOOLS FOR CHINESE

Type	*Location*	*Number*	*Pupils*	*Teachers*
Primary	Leased Territory	129	49,270	
„	S.M.R. Zone	10	6,332	117
Japanese language	„ „	1	285	5
Secondary	Port Arthur High School	1	430	
„	Mukden High Schl	1	430	25
Vocational		6	416	

[1] *Contemporary Manchuria,* Vol. I, No. 3, September 1937, pp. 56-7.
[2] Leased Territory Schools as of 1 May 1936; those in the S.M.R. Zone as of 31 March 1936. *S.M.R. Fifth Report on Progress in Manchuria,* 1936, pp. 136-38.

The vocational schools were agricultural, commercial, and mining institutions, mostly located in the Railway Zone and maintained by the S.M.R. Company.

There were also three institutions of higher grade, which were established primarily for Japanese, but which admitted a limited number of Chinese. These were the South Manchuria Medical School, which had been established by the S.M.R. Company in Mukden in 1911, and which was raised to University status as the Manchuria Medical University in 1923; the South Manchuria Technical College of Engineering, which was founded at Dairen in 1912 by the S.M.R. Company; and the Port Arthur College of Engineering, which had been established by the Kwantung Government in 1910, and was given university standing in 1923 as the Technical University of the Kwantung Government. Until 1933 the S.M.R. Company also maintained two teachers* training colleges, for Japanese and Chinese; the Manchuria Normal College and the Educational Research Institute, but the former institution was discontinued in 1933.

Korean children in the S.M.R. Zone were at first enrolled only in the Japanese primary schools and some continued to attend these, but owing to language difficulties, the S.M.R. Company subsidized the creation of separate schools for Koreans, and in 1937 was maintaining nineteen Korean primary schools, with 10,321 pupils and 210 teachers. The Company also gave financial aid to Korean schools in the neighbourhood of its railways; while those elsewhere in Manchuria were maintained by the local Korean communities or by the Government General of Chosen (Korea).[1]

The Japanese residents in Manchuria, through the agencies of the Kwantung Government, the S.M.R. Company, and their local Residents' Associations, had made adequate provision for the education of their children. It was a system which was designed to meet the special needs of those Japanese who had come to reside in a new country; but in both equipment, curriculum, and teaching standards, it was equal to that provided in Japan itself. The educational facilities which the Japanese made available for Koreans and Chinese were much more limited, and were intended mainly to fit them for subordinate posts in the administration of the Leased Territory, or in the employment of the S.M.R. Com-

[1] ***Contemporary Manchuria,* Vol. i, No. 3, September 1937, p. 65; *S.M.R. Fifth Report on Progress in Manchuria,* 1936, p. 138.**

pany. But the emphasis on vocational training in agricultural and industrial pursuits at least helped to meet a crying need in a new and rapidly developing land.

Prior to the Japanese seizure of the country the educational opportunities for the general populace in Manchuria had been slowly expanding and improving, as was the case in China as a whole. There was, of course, vast room for further improvement, since only a small proportion of the youth of the country could obtain even a primary school education; die buildings and equipment were often inadequate, the teaching profession was miserably underpaid, and the standards of instruction were very low. According to statistics compiled by die Chinese authorities in Manchuria in 1929 the number of the educational institutions throughout Manchuria was as follows:[1]

TABLE m

CHINESE EDUCATIONAL INSTITUTIONS IN MANCHURIA, 1929

Type	*Numher*	*Pupils*
Lower and Higher Primary Schools	12,465	752,756
Middle Schools	173	30,140
Vocational Schools	56	3,533
Universities and Colleges	9	3,617

Most of these were located in Liaoning Province where some 34 per cent of the children of school age were attending school; in Kirin the percentage was 17, and in Heilungchiang 11. Following the adhesion of Chang Hsueh-liang to the Nationalist cause new text-books authorized by the Kuomintang were introduced into the schools, including Sun Yat-sen's famous *Three Principles of the People,* and the Japanese complained bitterly of the ami-fo reign character of the instruction given.

The impact of the Japanese conquest of Manchuria upon education was initially disastrous. Most of the schools were closed, and many teachers and students in the higher institutions of learning fled. The Chinese universities and colleges, including the two universities in Mukden, remained closed, as the Japanese regarded these as centres of Nationalism and anti-Nipponism. The Japanese lost no time in remodelling the educational curriculum in order to make it an instrument of propaganda on behalf of the new State.

[1] *Contemporary Manchuria,* Vol. OI, No. i January 1939, p. 109.

On 25 March 1932 an ordinance promulgated by the 'Manchukuo' regime declared that 'in the curriculum of every school should be embodied the fundamental principle of Li Chiao or Confucianism, and any text-book containing any hint of political instigation should be abolished altogether'.[1] New text-books, which were hastily compiled under Japanese auspices, were issued to the primary schools, while the middle schools were allowed to continue with their pre-existing text-books after these had been censored by the Japanese, and everything that was considered politically objectionable had been deleted. The unfortunate effects of this upon education can easily be imagined.

The provincial authorities were deprived of their former large measure of authority in educational matters, and the formulation and application of general educational policies were centred in the Bureau of Education of the Department of People's Welfare, in Hsinking. All Chinese teachers who were not prepared to accept the new regime were dismissed, and their places filled by more complaisant ones who were given a three months' course in a teachers' training school opened in Hsinking in April 1933. Many Japanese teachers were also installed in die Manchurian schools and colleges.

In July 1932, a Supervisory Committee was established in Hsinking to compile new text-books for all schools, and between 1932 and 1940 these books were gradually completed and distributed.

Japanese publications made little secret of the main objectives of this Japanese-dominated educational system. It was designed, in the first place, to instil into the rising generation the Japanese version of events in Manchuria, and to inculcate loyalty to the new regime and a feeling of 'Manchukuo' nationality. It was also intended to promote a belief in 'the indivisible relationship of Japan and "Manchukuo".'[2] The revival of traditional Confucianist teachings, and particularly the emphasis on the doctrines of Wang Tao, or the 'Kingly Way', was directed to the same end. According to Chinese legend, the arts and crafts and the essentials of civilized conduct were taught the Chinese people by the Five Emperors—Huang Ti, Chuan Hsiu, K'u, Yao, and Shun. They were not gods, but their rule was divinely inspired, and their

[1] *S.M.R. Fourth Report on Progress in Manchuria,* 1934, pp. 227-8.
[2] *The Far East Yeare Book,* 1941 (The Far East Year Book Inc., Tokyo, 1941), p. 728.

period was the Chinese golden age, when the government of the Empire was a perfect one, the way of the rulers was one of justice and benevolence, and by their moral example they imbued their people with the classic Chinese virtues of jen (righteousness), li (propriety), lien (integrity), and ch'in (honour). In later ages the rulers lapsed from these high standards into the Pa Tao—or rule by force and oppression—and their subjects in consequence became evil so that there was general discontent and rebellion.

Confucius and his disciples taught that the art of government is essentially one of moral example and precept and that as the ruler is, so will the people be. If he is a man of perfect virtue there will be peace and tranquillity, and no danger of internal rebellion or invasion from abroad. So Confucian social philosophy looked backward to the supposedly golden age, and upheld it as a model which contemporary society should seek to emulate. Since it teaches that all inspiration and guidance emanate from the ruler, Confucianism is a theory of benevolent despotism, and despite its view that the unjust ruler ceases to receive the mandate of Heaven, is essentially authoritarian in outlook. Consequently, it suited the Japanese to retain and to promote the teachings of Confucianism and the concept of Wang Tao, in order to counteract the spread of republicanism, democracy, and Marxism, which threatened to disrupt the traditional basis of Oriental society. Wang Tao somewhat resembled the Japanese theory of Kodo or the 'imperial way/ with the difference that the Japanese Emperors were declared to be lineal descendants of the gods, and so entitled to unquestioning submission on the part of their subjects. So the 'Manchukuo' school children were taught that the Emperor of 'Manchukuo* was the benevolent autocrat to whom loyalty was due, and he drew his inspiration from the 'dynasty coeval with heaven and earth*.

The second great objective was to promote vocational training as opposed to what the Japanese termed 'undue emphasis upon mental training'.[1] This meant concentration on the provision of facilities for instruction in commercial and scientific subjects to the exclusion of the humanities, which the Japanese regarded with suspicion as liable to have undesirable political consequences. One Japanese Army officer asserted that no Ministry of Education was necessary because 'Manchuria needs workers and not the high

[1] *Contemporary Manchuria** Vol. Ill, No. i, January 1939, p. 122.

collar youths with half-baked notions who swarm in Japan'.[1] This represented an extreme view which presumably would have denied to the Chinese any education at all; the more far-sighted among the Japanese rulers of Manchuria saw the necessity of providing some facilities for technical training in order to ensure a supply of recruits to the rapidly expanding industries of the new State. The Japanese themselves filled all the higher managerial posts, and a good part of the subordinate ones, but could not hope to succeed in their ambitious plans if the mass of the people were left entirely illiterate and untrained. Accordingly, the education given in even the primary and middle schools was heavily weighted on the vocational side, and such facilities of a higher standard as existed were entirely vocational in character. One Japanese publicist declared that 'in Manchuria elementary and middle-grade schooling is in itself a complete education and any one finishing either school may become serviceable to society. Particularly in middle-grade schools one professional course is compulsory, such as commerce, industry, agriculture, livestock, or marine industry. In the urban districts students arc required to study cither commerce or industry, while in the agrarian districts agriculture and animal husbandry courses are requisite.'[2]

The emphasis placed ou vocational training is clearly seen from the following Japanese statistics of schools and colleges in Manchuria at the end of 1938.[3]

TABLE Iv

SCHOOLS AND COLLEGES IN MANCHURIA, 1938

Type	*Number*	*Pupils*
Primary schools	13,886	1,429,805
Middle „	108	31,323
Vocational „	66	11,739
Colleges	8	1,854
University	1	150

The Colleges were all agricultural, industrial, or medical institutions, and there were in addition a Teachers' Training College in Kirin and fifteen teachers' training schools. The National University was founded in Hsinking in May 1938 'with the object of

[1] *The Times,* 17 May 1932.
[2] K. Tsukaguchi in *Manchuria,* 1 August 1940, pp. 344-5.
[3] *S.M.K. Sixth Report on Progress in Manchuria,* 1939, pp. 160-7.

propagating the spirit in which the new State was founded, and of educating men who will become builders of a moral society and leaders in the work of national enlightenment\[1] It offered a six-year course, divided into a basic course and an advanced course. 'Higher ordinary' education was chiefly given *in* the basic course, *with emphasis placed upon the study of the spirit of national foundation, and actual training in the spirit of national service'. The subjects taught in the advanced course were political science, economics, logic, and philosophy.[2] Such an institution can only by courtesy be called a university.

Selected students were also sent annually to educational institutions in Japan; thus in 1939, there were 290 in Japanese universities and colleges; 967 in technical schools, 288 in high schools and 151 in middle schools in Japan, a total of 1,696. In April 1938 a *Manchu Students' House' was built in Tokyo, which accommodated 150 students.[3]

The 'Manchnkuo' regime claimed to have effected great progress in die sphere of education during 1933-40, both in die increase of schools and in the raising of educational standards. In 1940 it was declared that 1. 8 million out of die toral of 4- *2* million children of school age were receiving some sort of instruction,[4] while a ren-ycar programme had been drawn up for the eventual achievement of universal elementary education. However, it was admitted that much of the instruction was still being given in private schools, which were under official supervision, but in which only the barest rudiments of an education were obtainable these were known as 'monoclass schools'. There were said *to* be about 10,000 of diese institutions;[6] they were of varying quality and provided from one to three years' instruction. In the State primary schools proper, the pupils spent four years in the lower grades and two in the higher, during this latter period the emphasis was upon vocational training and instruction in the Japanese language, which was made compulsory in all institutions above the lower primary grade.

Such improvement as was effected was confined to the chief towns and adjacent districts; in die more remote areas, especially

[1] *Contemporary Manchuria,* Vol. **Ill, No. r, January 1939, p. 119.**
[2] **ibid.**
[3] *The Far East* ***Year*** *Book,* **1941, p. 729.**
[4] **ibid., p. 723.**
***Contemporary Manchuria,* Vol. Ill, No. 1, January 1939, pp. 123-4.**

in North Manchuria, provision for education remained meagre. Apart from the fact that the whole purpose of education was strictly utilitarian and designed to produce a new generation which would in effect be largely Nipponized, the children were hampered by being forced to study text-books hastily compiled by men whose own knowledge of the Chinese language was hmited, as well as by having to spend much time on 'spiritual training*, which consisted mainly of nusinformation about the origins of 'Manchukuo* and of the learning of'patriotic' slogans.[1] Since the 'Manchukuo* educational budget was severely limited, the Chinese teachers remained underpaid and, as most of them were either men who gave lip-service to the regime for fear of the consequences if they refused, or else were hangers-on of the Japanese, their influence, whether moral or educational, was uninspiring. On higher education the influence of the 'Manchukuo* regime was almost wholly deleterious. No independence of thought could possibly be expressed without incurring the intervention of the 'Manchukuo* police, or of the still more ruthless Japanese Gendarmerie; these were especially suspicious of the few educational institutions, established under Christian auspices, which enjoyed a measure of autonomy, and numerous Chinese teachers and students of these institutions, especially the Protestant ones, suffered at their hands on suspicion of 'anti-Manchukuo' activities.

The chief agent in the promotion of racial harmony and a sense of 'Manchukuo* nationality among the populace in general was the Concordia Association, or Hsieh-ho-hui; in Japanese, Kyowa-kai. This Association had its central headquarters in Hsinking, with branches and local units throughout the country. Its nominal head was the Prime Minister of 'Manchukuo*, and all officials, teachers, and prominent businessmen were members. But, as with all else in 'Manchukuo*, it was directed and largely staffed by Japanese, and it was *in* effect an organ of the Kwantung Army for the purpose of propaganda and espionage work among the mass of the people. It approximated to a totalitarian party; its members were entitled to wear uniform, which they mostly did, especially in the later years of the 'Manchukuo' regime when civilian cloth-

[1] The text-books were 'written in a peculiar style of Chinese which in some cases resembles the Japanese word order'. E. D. Hawkins, 'Education in Manchuria', *Far Eastern Surrey,* 12 March 1947, p. 53.

ing became steadily scarcer, and poorer in quality. Its activities were multifarious; they included intensive propaganda on behalf of the regime and the Greater East Asiatic Order. This propaganda was carried out through the medium of the press, the radio, the cinema, and the lecture hall, as well as by gaudy posters and by railway and automobile tours by propagandist teams in the country districts. The Concordia Association opened numerous institutes for the 'spiritual training' of youths, and helped *in* the organization of Youth Protective Corps, and of associations for the guarding *of* rail and road communications against bandit raids. It organized street processions, holiday festivals, so-called popular demonstrations, and similar activities intended to publicize and popularize the regime. But its chief functions lay in enforcing the decrees of the Government among the populace, and in helping to detect the politically disaffected. The Japanese revised and extended the pre-existing parochial system, whereby cities, towns and villages were divided into groups of householders, the members of which were made collectively responsible for the preservation of peace and order, the execution of police instructions and the denunciation of offenders, especially political suspects.[1] Members of the Concordia Association were appointed wardens of these blocks and districts to oversee the inhabitants and report any suspicious activities, to distribute official orders, to mobilize the populace for any special service, such as the 'Patriotic Labour Corps' instituted during the war years, 1941-45; and to carry out compulsory savings drives and collections. Its powers were thus very extensive ana it worked in close conjunction with the police and Gendarmerie. Membership of the Association was a passport to a privileged position in the matter of food, clothing, housing, and employment, and as usually happens in such totalitarian organizations, there was plenty of opportunity for illicit gain, and for the settlement of private enmities by means of false accusations or dirough threats of denunciation for political offences.

Among the various functions of the Hsich-ho Hui was the 'spiritual training' of youths selected for service in the 'Manchukuo' Army. This force was organized in 1932 to serve as a peace maintenance corps, and an auxiliary to the Japanese Kwantung

[1] Any failure in these matters meant dire penalties for the collective group. Whole villages which the Japanese suspected of harbouring or aiding bandits were burned and the inhabitants slaughtered.

Army. It originally numbered some 80,000 men and consisted of former troops of the Chang Hsueh-liang regime who had come over to the Japanese. During the first years of the new State, the 'Manchukuo' forces were extremely unreliable, and there were numerous instances of their murdering their Japanese officers and then decamping with their arms and ammunition to join the anti-Japanese guerrilla elements. In subsequent years the Japanese claimed, however, to have effected a considerable improvement in the morale and *esprit de corps* of the force, and they employed parts of it in operations in North China and Inner Mongoha, where, if Chinese Communist accounts of the casualties they inflicted upon it can be given any credence, it must have done a certain amount of fighting. According to the *Tokyo Gazette* of September 1939, 'Manchukuo' troops took part in the fighting against the Soviet and Outer Mongol forces at Nomonhan in the spring and summer of that year, and were said to have acquitted themselves creditably.[1] At all events the Japanese thought it worth while to continue and to expand the 'Manchukuo' armed forces. In April 1940, a 'Manchukuo' National Army Law was promulgated and became effective in the following April, whereby a limited conscription was established. By this edict, all youths on reaching the age of nineteen were to be registered and examined for military service, and 10 per cent of these were to be selected, the choice being made on a basis of physique, educational abilities, and family connections. When the test of battle came in 1945, the 'Manchukuo' forces appear to have disintegrated rapidly, although since the Japanese were at their last gasp and were swiftly overwhelmed, no other result could have been expected.

It may be asserted with confidence that the propagandist efforts of the Japanese failed to evoke any general attachment to the 'Manchukuo* empire among the great mass of the Chinese inhabitants; the attitude of the various racial minorities is considered in the succeeding chapter. The Chinese people have had too long experience of various types of governments to be easily hoodwinked by high sounding phraseology, they are proverbially sceptical of the good intentions of officials and quick to detect frauds and shams. The average Chinese is of necessity more concerned with earning a livelihood for himself and his family than with rival political and social ideologies. He is ready to submit to

[1] *Tokyo Gazette,* September 1939, pp. 121-3.

whatever regime may be in power for the moment, provided it does not interfere overmuch with his private activities; if it does, then there is no one more adroit in the ways of passive obstruction and evasion of official demands and prohibitions. The fiction of *Manchukuo' independence could not for a moment hide the reality of Japanese domination from all who came into contact with the Hsinking regime, and the fine words of the Japanese were all too effectively belied by the harsh methods which they and their minions employed. During the first six years of the 'Manchukuo' regime, the Japanese had to contend with widespread armed rebellion which cost them much in blood and treasure to combat and, although they eventually made good their hold upon the greater part of the country, they never succeeded in eradicating completely tne resistance movements, while latent disaffection and underground communication with Free China remained widespread. Furthermore, the facts that so large a proportion of the Chinese inhabitants of Manchuria were fairly recent immigrants from Hopei and Shantung, and that the seasonal movement of labourers between these provinces and those of the north-east was resumed on a large scale after 1935, militated against the growth of any effective separatist movement from China.

There were, however, certain counteracting factors which need to be taken into consideration. The propaganda in favour of 'Manchukuo* and of Japan which formecf so large a part of the pabulum in the schools does appear to have had some effect upon the susceptible minds of the younger children, as the Japanese calculated that it would. There is, however, the influence of the home to be set against that of the school, and there were cases of Chinese children in processions chanting 'Manchukuo' patriotic songs but putting words of their own to them, which would have pained their Japanese hearers considerably had they been able to understand what was being sung. The revival of traditional Confucianist teachings was not unwelcome to the conservative elements among the Chinese to whom much in the Kuomintang propaganda was anathema. In this connection the age-old divergencies in character and outlook between northern and southern Chinese should not be forgotten. Fear and hatred of Communism among the propertied class also helped to reconcile them to Japanese control as the most effective safeguard against this danger.

Furthermore, the Chinese people, in Manchuria, as elsewhere in

China, are only too well accustomed to the wide divergence between profession and actions on the part of officials, and are also hardened to a life of penury and oppression. It might therefore be an error to suppose that the harsh and malevolent features of the 'Manchukuo' regime provoked such a depth of resentment as they would among a people who had previously been ruled by an equitable and humane administration. Moreover, the positive achievements of the Japanese in the spheres of finance and currency, industrial development, town-building, sanitation, and communications, which arc detailed in succeeding chapters, at least to some degree benefited the people in general, even though most of the positions and the bulk of the profits went to Japan's own nationals. The Japanese record was constructive as well as destructive and it is perhaps significant that, after the collapse of Japanese power in Manchuria in 1945, the Japanese civilian population, although reduced to poverty, was not massacred or harshly treated by the Chinese.[1]

Thirteen years of Japanese control in Manchuria, a period characterized by the remodelling of its administrative and educational institutions on the Japanese pattern, and by the linking of its economy to rhar of Japan, has meant that a considerable number of officials, teachers, technicians, and professional men have been educated by the Japanese and trained according to Japanese methods. Tins may have a more than ephemeral effect 111 a region where there are woefully few trained personnel either in administration, industry or the sciences. Should the eventual economic-recovery of Japan result in her regaining an important position in the trade and industry of the north-eastern provinces, she may again come to exert an influence upon commercial and technological studies in Manchuria.

[1] ***New York Herald Tribune*, August 26, 1946.**

CHAPTER IV

The Treatment of Racial Minorities

IN their endeavours to promote Manchurian national feeling the Japanese had for years assiduously courted the minority groups in the country and fanned their grievances—which were in themselves substantial—against the Chinese administration. After the *coup d'etat* of September 1931 the Japanese-sponsored independence movement was marked by lavish propaganda to the racial minorities—Manchus, Mongols, Koreans, Moslems, and 'White' Russians—who were assured that under 'Manchukuo' their political and economic wrongs would be redressed and a happy era of complete racial equality and harmony would dawn for them. In the Proclamation of Independence of 1 March 1932, it was declared that 'there shall be no discrimination with respect to race and caste among those people who now reside within the territory of the new State. In addition to the races of the Hans, Manchus, Mongols, Japanese, and Koreans, the peoples of Other foreign countries may, upon application, have their rights guaranteed.'[1] Attide 3 of rhe Law of Civil Rights, promulgated on 9 March 1932, guaranteed equal protection to all subjects of the new State, irrespective of rheir race and faith.[2] A five-coloured flag was chosen lor the national emblem in illustration of the equality and harmony which should in future characterize the relations of the five races specified in the Independence Proclamation. The principles of Wang Tao, or kindly benevolence, which were henceforth *to* govern the relationship of rulers and subjects, in contrast to Pa Tao, or forceful oppression, were also to be applied in dealing with the problems of the minorities and, for the dissemination of this concept among the people as a whole, the Concordia Society was to be the chief instrument. Such were the official promises and professions.

A brief historical digression may serve to show why the Japanese professed such regard for the well being of the racial minorities and expected an eager response from them. The Manchu Empire had never been a national entity, but an agglomeration of Chinese

[1] *S.M.R. Fourth Report on Progress in Manchuria,* 1934, p. 248. * ibid., p. 250.

and of non-Chinese peoples and territories. While the Manchu Emperors had ruled their Chinese subjects according to Chinese forms and very largely through Chinese officials, they never attempted to subordinate the non-Chinese peoples of Manchuria, Mongolia, and Tibet to the Chinese, such a step would have been contrary to their general policy of *divide et impera,* and, of course, unthinkable in the case of the Manchus themselves. It was not until the last half-century of the Empire that the efFcteness of the once all-powerful Manchu conquerors combined with the impact of foreign aggression and the insidious effects of Chinese cultural and racial assimilative tendencies to produce a trend towards the transformation of a multi-racial Empire into a Chinese National State. The encouragement, in contrast with the earlier prohibitions, of Chinese colonization in Kirin, Heilungcluang, and Inner Mongolia; and the replacement in Manchuria of a military by a civilian provincial administration on the Chinese model, are examples in point, as is the imposition of more direct Chinese rule in Hsinchiang and Tibet.

But then came the fall of the Empire and the establishment of the Republic. From the outset the Chinese Republic has steadily claimed to be the legitimate inheritor of the territories and peoples ruled by the Ch'ing Emperors, and has consistently struggled *in* the face of very adverse circumstances to make good this claim. The Mongols and Tibetans have seen things in a different light; they regarded the fall of their Manchu suzerains as setting them free to establish national political entities of their own. The Mongols in Outer Mongolia were successful in maintaining *de facto* independence of China; this has now been recognized as *de jure* independence by China, though of necessity rather than of choice, and perhaps the last word has not been spoken in the matter. The Mongols in Inner Mongolia and Manchuria were unable to break free of China. The Tibetans, although hampered by internal politico-ecclesiastical feuds, have maintained *de facto* independence.[1]

The concept of a Chinese National State which should embrace all the territories of the former Manchu Empire did not of necessity involve a servile or unequal status for the non-Chinese

[1] Outer Mongolian independence of China was secured through the powerful patronage of the U.S.S.R. British-Indian policy has favoured an autonomous, though not necessarily an independent Tibet; it remains to be seen what will be the relations of Tibet with Pakistan and India.

peoples, while political expediency, in view of the weakness of the Chinese Republic and of the ambitions of powerful neighbours, would appear to dictate a policy of conciliation of the racial minorities. Such, indeed was the professed intention of the Republican leaders, and the original five-barred flag of the Republic indicated a recognition of the equality of its racial components—Chinese, Manchus, Mongols, Moslems, and Tibetans. But the benevolent professions and intentions of a weak central regime were powerless to put much check on the very different and discordant practices of local Chinese officials, land speculators, merchants, and settlers. Moreover, the political theory of the Kuomintang, as contained in the teachings of Dr Sun Yat-sen, lent itself to a policy of subjugation and sinicization of the racial minorities as a means of promoting national unity and countering the fissiparous movements which developed after 1911. Sun Yat-sen asserted that, in contrast to the situation in other countries, the terms 'state* and Nation' meant the same thing in China, because there alone a single state was developing out of a single race. 'The Chinese race totals 400 million people; of mingled races there are only a few million Mongohans, a million or so Manchus, a few million Tibetans, and over a million Mohammedan Turks. These alien races do not number altogether more than 10 million, so that for the most part, the Chinese people are of the Han or Chinese race, with common blood, common language, common religion, and common customs—a single, pure race.'[1] He furthermore insisted upon a unitary, and not a federal government for China,[2] and he advocated intensive colonization of the frontier regions. He did *not* urge the forcible assimilation, subjugation or expropriation of non-Chinese peoples; on the contrary, he advocated a policy of fair and conciliatory treatment in order to win them to support the Republic and to prevent them from being used as instruments of foreign imperialism. In 1924 the Manifesto of the First National Congress of the Kuomintang recognized the equality of all races within Chinese territory, and also their right of'self-determination', but it is clear from the context that this did not mean the right to contract out of the Chinese Republic, and in view of the general nationalistic outlook of the Kuomintang it is

[1] Sun Yat-sen, *San Min Chu I* (translation by F. W. Price, Shanghai, China Committee, Institute of Pacific Relations, 1927)pp. 11-12.

[1] ibid., pp. 253-8.

evident'that the actual amount of self-government for the minorities would be severely restricted. Also, with the victorious Kuomintang after 1928, as with its predecessors in authority, practice differed widely from precept, and even the latter tended, to change to the disadvantage of the minorities. Sun Yat-sen recognized them as non-Chinese and conceded to them a voice in the shaping of their own destinies, but his successors have taken the stand that all the peoples inhabiting China have a common ancestry. 'In short, our various clans actually belong to the same nation, as well as to the same racial stock. . . . That there are five peoples designated in China (i.e. Chinese, Manchus, Mongols, Tibetans, Mohammedans) is not due *to* difference in race or blood, but to religion and geographical environment. In short the differentiation among China's five peoples is due to regional and religious factors, and not to race or blood.'[1] Tins theory, which has no historical validity, would by implication deny to the minorities any right to local autonomy or special institutions, while it is, to say the least, doubtful if it would make local Chinese officials and settlers regard them as blood brothers.

Kuomintang nationalist and racialist theories, despite professions of liberality, and inconsistencies in argument and outlook, tended to make even a well-meaning Chinese official regard the minorities as stumbling-blocks in the path to complete political unity, and so as a menace to Chinese independence. Such theories furthermore gave a semblance of patriotic conduct to the self-seeking in defrauding the alien peoples of their lands and possessions. Thus, except where they were strong enough to put up an effective defence, the racial minorities were threatened with ultimate extinction.

Japanese policy in Manchuria and elsewhere in China was to encourage the non-Chinese peoples in resistance to Chinese assimilative tendencies, to fan their grievances and to foment rebellion.[2] In Manchuria especially they worked not only to establish themselves as the champions of minority aspirations but to promote an influx of Korean and of Japanese immigrants as a counterweight to Chinese immigration. The establishment of 'Manchukuo' left them with a free hand in these respects. The Japanese in

[1] Chiang Kai-shek, *China's Destiny* (translation by Wang Chung-hui, New York, Macmilian, 1947) pp. 12-13.

[8] The Japanese were not alone in this, though after 1914 they became increasingly the most active and dangerous practitioners of such a policy.

Manchuria were themselves a racial minority, but, as their status, even before 1931, was completely different from that of the minority groups subjected to Chinese governance, and since, after 1931, they were in fact the absolute masters of the country, their efforts at urban and rural settlement are given separate consideration in a subsequent chapter.[1]

It has been shown in the preceding chapter how the Japanese by conferring the name 'Manchukuo' upon the conquered country and by making the former Ch'ing Emperor its nominal head, endeavoured to win over the Manchus themselves and the northern Chinese through an appeal to traditional sentiments and the memory of past glories. But the Manchu people were never very numerous and since the seventeenth century they had largely, though not entirely, become completely assimilated with the Chinese in customs and language, and had lost any separate racial consciousness. There existed, especially in Kirin and Heilungchiang, scattered groups of Manchu villagers who were bilingual, and who retained something of their distinctive customs and traditions, but they were too few to be a political force of any consequence. Mention should also be made in this connexion of the considerable Manchu settlement, dating from the reign of Ch'ien Lung, in the IU region of northern Hsincliiang, because Japanese policy towards the minorities in Manchuria was intended to secure both their support and that of their kindred groups throughout China.[3] There was also the Manchu aristocracy, but not all of these were willing to become instruments of Japanese imperialism or to approve of a Japanese-sponsored independence movement in Manchuria, which some, at least, could perceive would serve to deepen Chinese hostility to the minority groups in so far as these lent support to it, and might in the long run worsen their position.

The Japanese endeavoured to recruit Manchus for the administration of 'Manchukuo', and to stimulate Manchu racial consciousness by the revival of the Manchu spoken language and the Manchu script, but the Manchus were too few for this to produce any very marked results. Indeed, to Manchus or part-Manchus who had become thoroughly sinicized, it was an added burden

1 See Chapter V.

[1] 'The forgotten (Hsinchiang) Manchus are probably gazing In the direction of Manchuria with an intense morbid longing for their own fatherland'. *Contemporary Manchuria* Vol. Ill, No. 2, April 1939, p. 72.

and an obstacle to their achieving economic security in a predominantly Chinese milieu. Manchus who entered the administration soon discovered that they had no real authority, but, in common with the Chinese officials, were intended to be mere puppets of the Japanese. It has already been shown how such hopes as they may have cherished that the setting-up of 'Manchukuo' would be but a prelude to the re-establishment of the Ch'ing Empire were dashed, while the Manchu communities in general were not exempt from the harsh aspects of Japanese officialdom and the locust-like activities of the swarm of Japanese petty traders and drug peddlers.

The Manchurian Mongols were in a very different and vastly more important position. Looked at as a whole Manchuria is, as has been pointed out, mainly Chinese in population. But, whereas the other minorities, with the exception of the Koreans in Chientao, are everywhere surrounded by masses of Chinese, in over approximately 200,000 square miles of western Manchuria the Mongols constitute either a majority of the inhabitants or a substantial minority. Thus much of western Manchuria is definitely Mongol in character, and this gives the Mongols an importance out of all proportion to their number in relation *to* the total population of the whole country. There are no reliable figures for the Mongol population in either Manchuria or Mongolia; one authority estimates the Manchurian Mongols as numbering some 2 millions out of a total of 5 millions for all Mongol people.[1] Other sources give lesser figures for the Manchurian Mongols, and in this connexion, the nomad character of a large proportion of the Mongols of Manchuria and Mongolia must be borne in mind. But the existence of a large Mongol region in Manchuria is the important fact.

Secondly, in courting the Manchurian Mongols and in promising them a restoration of the politically privileged position which they had enjoyed under the Ch'ing Empire, Japan hoped to establish herself as the champion of all the Mongols in their resistance to Chinese assimilative policies. If she could secure the support of the Mongols of the strategically important Hsingan region, she would

[1] O. Lattimore, *The Mongols of Manchuria* (London, Allen and Unwin, 193$), pp. 24-f Japanese statistics after 1932 usually lumped together Chinese, Manchus and Mongols as 'Manchukuans'. But the census of December 1939 gave a figure of 1,035,525 for 'Mongolians' or 2*7 per cent of the total population. The figures are probably much less **accurate than they appear.**

be well placed to penetrate Inner Mongolia and eventually to undermine the Soviet position in Outer Mongolia. She would thus obtain great political and geographical advantages in the ultimate conflict with the U.S.S.R. which the Japanese warlords reckoned was only a matter of time. So Japan's Mongol policy was a vital part of her whole expansionist drive on the Asiatic Continent.

Chinese policy in regard to the Mongols of Manchuria and Inner Mongolia had been singularly well adapted to further these Japanese designs. At the time of the Manchu conquest of China the Mongols occupied about one half of Manchuria and nearly all of what later became the province of Jehol.[1] While the Manchu rulers played off one Mongol group against another and watched carefully to prevent any Mongol chieftain from becoming strong enough to think of emulating the career of Genghiz Khan, it was part of their frontier policy to preserve the social and economic institutions of the Mongols and to prevent them from being completely sinicized. They therefore tried to check both Chinese agrarian colonization in Mongol areas and the change from a pastoral to an agricultural economy among the Mongols themselves. Until the latter half of the nineteenth century Chinese agrarian settlement in Mongolian regions was limited and Chinese colonists there were inferior in status to the Mongols; and while, especially in Manchuria, many Mongols were becoming agriculturalists, they were protected in their landholding.

In the latter years of the declining Ch'ing Empire this policy changed; Chinese immigration was actively encouraged and the Chinese became more and more the favoured element. The construction of railways in Manchuria and Inner Mongolia immensely accelerated the rate of Chinese immigration. With the establishment of the Chinese Republic the pressure on the Mongols was increased. Mongol lands were, in general, tribal lands, although the process of landowning by individuals, chiefly princes and lamas, had been making headway. The Chinese Republican authorities declared that Mongol lands belonged to the Chinese nation, and that therefore Mongol land titles were invalid unless ratified by the local Chinese authorities. For this purpose the Chinese utilized an imperial edict of 1748 which forbade the Mongol princes to allot land for cultivation to either Chinese or Mongols without

[1] Lattimore, op. cit., p. 57..

Mongolian People's Republic thus became a centre of attraction for some of the discontented Mongols of Manchuria and Inner Mongolia, particularly the poorer classes who suffered most from Chinese encroachment which was aided and abetted by many of the princes and large landowners who made terms with the Chinese officials. But the social and still more the religious iconoclasm of Ulan Bator was anathema to all conservative minded Mongols, while even to the younger elements the turbulent history, marked by frequent purges, of the first years of the Outer Mongol regime, acted as a deterrent to any projects of union.

While the Japanese had established contacts with the Mongols and individual Japanese emissaries had been active in Mongol rebellions against the Chinese, the Japanese Government had not, before 1931, been in a position to lend overt aid to the cause of Mongol autonomy. With the *coup d'etat* of September 1931, this situation changed. It was essential for the Japanese to conciliate the Mongols and to win their support, so as to secure the vitally important Hsingan range and cover the western approaches to the heart of Manchuria while the new State was in process of organization. The Mongols, for their part, were mostly willing enough to work with the Japanese if the latter would put a stop to the expropriation of Mongol lands, and give the Mongols a real measure of local autonomy. The collapse of the Chang regime gave the Mongols an opportunity, of which they were not slow to avail themselves, of recovering their political freedom and of creating a local army. They sent two of their chief leaders, Prince Kuefu, representing the Barga Mongols, and Prince Chi of the Cherim League, to participate in the Mukden Conference of February 1932, which paved the way to the 'Manchukuo' declaration of independence.[1] Copies of that declaration and accompanying decisions were sent to the various Mongol Banners and Leagues, including the Josoto and Jo-oda Leagues in Jehol, which clearly indicated that these were to be included in 'Manchukuo' although this was not effected until 1933.

In 1932, after the establishment of 'Manchukuo', the Japanese proceeded to implement their promises to the Mongols by the creation, out of parts of the pre-existing provinces of Heilungchiang and Fengt'ien, of the special Mongol Province of Hsingan. This originally had an area of 148,000 square miles and an estimated

[1] See Chapter II.

population of 920,000.[1] It was subdivided into the three districts of North, East, and South Hsingan. In 1934, after the Japanese conquest of Jehol, the northern portion of that Province was similarly detached, and renamed West Hsingan. At the same time, the four Hsingan districts, which collectively formed the largest administrative area in 'Manchukuo', were given the status of provinces.

The boundary between the Hsingan region and the other provinces of 'Manchukuo' was very carefully drawn, so as to include Hsingan territories in which the Mongols remained the predominant element, but to exclude areas in which Chinese colonization had taken firm root. In general, though not entirely, the Hsingan eastern boundary was drawn to run west of the main 'Manchukuo' railway system. The Mongols thus did not get back all the lands they had lost; these had once extended to die outskirts of Harbin and Ch'angch'un and to within eighty miles of Mukden. To include all this area within Hsingan would have meant putting large districts now inhabited by a Chinese majority under Mongol control, which would have stimulated Chinese disaffection to the new regime. In designing the eastern boundary of Hsingan the Japanese appear to have struck as fair a balance as possible, although this is not to say that they gave satisfaction to all the contending parties.

The whole Hsingan region was reserved to the Mongols and further Chinese colonization prohibited. The Mongol tribal and banner organization was preserved and the princes guaranteed in their titles and prerogatives. The local provincial administrators of the four provinces were in part elected by the Mongol tribal organizations, in part appointed by the 'Manchukuo' Government. The supervision of Hsingan affairs and of the Manchurian Mongols in general, was entrusted to an organ of the Hsinking Government, at first called the Department of Mongolian Affairs and later the Hsingan Office. It was nominally headed by a Mongol prince, but the real director was General Yoshioka, a Japanese expert on Mongolian affairs. Japanese 'advisers' were appointed to the local Mongol administrative organs, but they were not so numerous as they were elsewhere in 'Manchukuo'. The Hsingan Mongols had their own military and police forces, subject to Japanese training and supervision, and Chinese ('Manchukuo') forces were normally excluded. The Mongols outside the Hsingan

[1] *S.M.R. Fourth Report on Progress in Manchuria,* 1934, pp. 13-15 .

region, who in many districts formed a substantial proportion of the population, had their own local bureaux, organized according to tribal affiliations, but also with Japanese 'advisers' attached to them.

The Japanese devoted considerable attention to educational and religious matters as a means of attaching the Mongols to the side of Japan and 'Manchukuo', and of countering opposite influences emanating from Outer Mongolia. They established Mongol schools, chiefly normal and vocational institutions, for the Mongols and opened the Hsingan Academy at Wangyehmiao for the military and political training of Mongol leaders. The Concordia Association was active in the Mongol regions, as elsewhere, and it paid especial attention to the lama Buddhist hierarchy as the chief bulwark against the spread of Communist influences, and as a powerful agent in keeping the Mongol tribesmen loyal to the Japanese. In May 1938, a national union of Buddhist organizations was inaugurated as the result of a conference in Hsinking between Buddhist representatives and leaders of the Concordia Society.[1] Subsidies were given for the upkeep of Mongol temples and religious fairs, while selected groups of Mongol monks were yearly sent to Hsinking and to Japan for training.

In estimating how far these various political and social concessions were successful in winning over the Mongols to the Japanese side, some distinction must be drawn between the various groups of Mongols. The Buriat Mongols of the Hailar region of North Hsingan were whole-heartedly on the Japanese side, because these Mongols were mostly exiles from the Buriat Mongol area of the U.S.S.R., and they had everything to lose should Outer Mongolia or the U.S.S.R. ever get control of the Barga region. The Daghors of Barga and of the Nonni region were more divided in sentiment, some co-operating with the Japanese, others being inclined to Outer Mongolia. The Buriat and Daghor Mongols arc important as being, in general, better educated and more capable and energetic than the rest of the Mongols, and so supplying a large proportion of their leaders. The Khalka Mongols, who comprise the chief element among the Barga Mongols, were reported to be also divided in their sentiments. Mainly nomadic and living on the far side of the Hsingan range, they had not suffered as much from the Chinese as had their less fortunate compatriots of the T'ungliao region, and they had been able to

[1] ***Shanghai Sunday Times*, December 29 1940.**

make better terms with the Mukden authorities. Most of them were inclined to regret the fall *of* the Chang regime and to regard the Japanese with suspicion; a minority, however, were ready to collaborate with the Japanese, while there was a section of the younger Barga Khalkas who favoured a union with the Khalkas of Outer Mongolia. But the general attitude of the Barga Khalkas was summed up by one of their leading men, who in 1935 told a visiting British savant that 'the Mongols in Manchuria are better off under the Japanese than they were under the Chinese. But they are not receiving from the Japanese what they were led to believe that they would receive'.[1] This remark may be held to characterize the feelings of the Mongols in general towards Japanese rule, which, while up to a point was well-intentioned towards the Mongols, had serious drawbacks from their point of view, both in its political and economic aspects.

In the first place, while the Mongols were freed from Chinese oppression and extortion, it soon became clear to them that the Japanese were the real masters of the country whose behests they were expected to obey. If the Mongol officials in the Hsingan Provinces had more real authority than had the Chinese magistrates elsewhere in 'Manchukuo', yet the Mongols also had Japanese advisers at their elbow and the bureaucratic and dictatorial methods of these men often bewildered and antagonized the Mongols. Furthermore, the larger Mongol ambitions were left unsatisfied by the Japanese, whose policy in Mongolia as in China was one *of divide et impera.* Thus, when in 1937, the Kwantung Army overran Inner Mongolia it did not unite this region with the Hsingan area to form a 'Mengkukuo' as a basis for the Pan-Mongol empire of which some of the Mongols dreamed. Instead, a separate Mengchiang, or Inner Mongolian regime, was established, of which the leading figure was Prince Teh, head of the Silingol League, but he and his regime were also kept in leading-strings by the Japanese. The Mongols were nowhere entrusted with real power, but were everywhere made the puppets of Japanese policy, and this bred resentment. On the economic side, the Japanese were anxious to improve the Mongolian breed of sheep and the quality of Mongolian wool, since they hoped eventually to replace Australian by Mongolian wool as a source

[1] Sir Charles Bell, 'The Struggle for Mongolia', *Journal of the Royal Central Asian Society,* Vol. XXIV, January 1937, p. 59.

of supply for the Japanese woollen industry.[1] Such an ambition would probably in any case have proved chimerical, although it was not without benefit to the Mongols in so far as it introduced modern scientific breeding and rearing methods to the Mongol pastoralists. However, in view of the conservatism and attachment to time-honoured methods which prevailed among the Mongols, tact and persuasion were necessary to get them to accept even beneficial reforms; haste and browbeating only defeated the desired ends. But tact and patience towards peoples whom they are in a position to dominate are qualities which few Japanese are apt to exliibit. Moreover, the benefits conferred by experimental sheep farms, veterinary institutes to combat animal diseases, and instruction in scientific breeding methods, were counter-balanced by the exploitation of the Mongols by the Japanese wool-purchasing monopoly which expected the Mongol herdsmen to sell at fixed prices; these were usually too low to be at all profitable to diem. A further point of note is that, while Chinese colonization was stopped in the Hsingan provinces, there was a certain amount of Japanese and Korean settlement.[2] It was on a small scale, but combined with the building of the trans-Hsingan railway to Halunarshan, it may have created some nervousness for the future among the Mongols.

These political and economic grievances led to some disaffection among the Mongols. In April 1936, the Hsinking authorities announced the discovery of a plot among the Mongol officials of North Hsingan Province. The chief conspirators were the Governor, General Ling Sheng; the chief of sraff *of* the Provincial troops, General Fu Ling, die chief of die political Bureau, Chun Teh; and the Governor's Secretary, Hwai Ling.[3] They were all executed, while lesser conspirators got long terms of imprisonment. The Japanese accused them of plotting with Soviet and Outer Mongol authorities to secure the secession of the Barga region from 'Manchukuo', and of taking advantage of a conference at Manchuli in 1935, between 'Manchukuo' and Outer Mongolian representatives, to give information on Japanese military affairs to the Outer Mongols. They declared that Ling Sheng had established connexions with the U.S.S.R. in 1929, when Soviet troops invaded Hailar in their punitive expedition against Chang Hsueh-liang, and that he had always been secretly working for the Russians,

[1] See Chapter IX. [2] See Chapter VI. [3] These are evidently sinicized Mongol names.

while professing loyalty to 'Manchukuo'. The Russians, however, denied having had any contacts with him.[1]

Some commentators took this event as an indication of the failure of Japan's Mongol policy,[2] but this was assuming rather too much. Nothing of the kind was reported from the other Mongol Provinces, and only some of the Barga Mongols were implicated, while the betrayal of the plot would appear to show that others were against it and preferred Japanese rule to that of the U.S.S.R. or of Outer Mongolia. The Japanese undoubtedly relied upon the support of the conservative and wealthier elements among the Mongols, while some of the unprivileged and poorer Mongols may have been attracted to the Mongolian People's Republic. But the severest critics of Japanese rule in Manchuria and Inner Mongolia were often those most laudatory of the Outer Mongolian regime and inclined to overlook its harsher aspects. It does not seem to have attracted any large proportion of the Mongols of the Hsingan region, otherwise the hostilities at Nomonhan in 1939, which culminated in a severe Japanese defeat at die hands of the Soviet forces, might have been the opportunity for a large-scale revolt of the Manchurian Mongols; this, however, did not occur. The 'Manchukuo' troops who fought on the Japanese side at Nomonhan and who were said by the Japanese Army organ *Tokyo Gazette* to have acquitted themselves well, were probably largely Mongol in composition.

In general, therefore, it may be said that the Japanese did gain the support of the Mongols, and that the latter for the most part felt themselves to be better off under the Japanese than they had been under the Chinese or were likely to be under a Communist regime. They did not get from the Japanese what they really wanted, namely, a real measure of autonomy and freedom from any kind of spoliation, but they got more of it than they had received from the Chinese Nationalists, or are likely to get from the Communists. It is the tragedy of the Mongols that their paucity of numbers and weakness in face of modern armaments combine with the strategical importance of the territory which they inhabit to subject them to the conflicting ambitions of their stronger neighbours.

The migration of Korean farmers into Manchuria began at least

[1] *The Times, 15*, 22, 23 April 1936; *Manchester Guardian,* 22 April 1936.
[9] *The Times,* 30 April 1936.

as early as the first half of the seventeenth century, and continued to develop despite Chinese official restrictions on Korean settlement and prohibition of emigration by the Korean authorities. The motive which impelled Koreans to emigrate was, and remained, primarily economic, the pressure of population in the poverty-stricken north-eastern provinces of Korea, where good agricultural land is scarce. Just as the vast majority of Chinese immigrants into Manchuria came from north China, so the great majority of Korean immigrants came from north-eastern Korea, more especially from the Province of Kankyo. With the establishment of Japanese domination over Korea, at first in the form of a protectorate, and later, by outright annexation in 1910, a political motive for emigration was added to the economic one and many Koreans fled across the Yalu and T'umen Rivers to escape Japanese rule, and the consequences of unsuccessful rebellion against it. The beneficial aspects of Japanese rule in Korea, in the form of the establishment of peace and order and *the* introduction of medical science, also indirectly stimulated emigration, because of an increase in the population, with consequent intensified pressure upon food resources.

In 1931, there were probably some 800,000 Koreans resident in Manchuria.[1] Japanese consular returns gave a markedly lesser figure, of just over 600,000, but many Koreans evaded registration at Japanese consulates in Manchuria, and so were not enumerated. Fifty per cent of die total Korean population was resident in the Chientao District, in south-eastern Kirin Province, just north of the T'umen River. In Chientao, the Koreans formed the majority of die population and outnumbered the Chinese by three to one over the whole area. The Koreans were predominant in the towns as well as in the country-side, except in Hunchun, which remained a Chinese city. While Chientao was the only region in which they constituted a majority, there were Korean settlers to be found almost everywhere in Manchuria, and no town of any size was without its Korean minority. This ubiquity of the Koreans was of considerable significance; 'it has to some degree diffused a different racial colouring throughout die country and introduced here, there, and everywhere, something of the economic methods and the forms of social organization of the Japanese Empire'.[2]

[1] *Lytton Report,* p. *5c.*
[2] E. S. Kirby, *The Economic Organization of Manchoukuo* (unpublished thesis for London School of Economics, 1938), p. 71.

The position of the Koreans in Chientao was regulated by the Sino-Japancse Agreement of 4 September 1909. This provided for the opening of four towns to Japanese trade, residents, and consular officials, and for the agricultural settlement of Koreans in a defined area, in which they could own lands already possessed, and lease others. They were to be subject to Chinese laws and jurisdiction, although Japanese consular officials had the right to be present in cases *effecting* Koreans, and to ask for a re-trial if they felt injustice had been done them. After the annexation of Korea in 1910, the Japanese claimed all Koreans as Japanese subjects, with Japanese extraterritorial rights, but the Chientao Agreement continued to be observed. The Japanese claim that it had been superseded by the Treaty and Notes of May 1915, under which Japanese subjects secured general rights of residence and leaseholding in South Manchuria, while retaining extraterritorial rights, was contested by the Chinese, on the grounds that the 1915 Treaty specified that pre-extant agreements should remain in force, and also that Chientao was not a part of South Manchuria.[1]

The Koreans in Manchuria outside of Chientao had no specific treaty right to be there or to acquire lands. The Japanese claim that they secured such privileges under the Treaty of 1915 was disputed by the Chinese on the ground that the Chientao Agreement confined Korean privileges to that region. The Koreans in fact spread elsewhere through the tolerance or connivance of local Chinese audiorities with whom their relations were reasonably good. Many of the Koreans became naturalized Chinese subjects and the younger generation was Manchurian born, with only hearsay knowledge of Korea or Japan. The Japanese after 1910 insisted that under Japanese law the Koreans could not lose their Japanese nationality and acquire Chinese, and where they could they endeavoured to exercise authority over die Koreans through the agency of Japanese consular authorities and police. The Koreans in many cases, however, continued to obtain Chinese naturalization papers, and so acquired a dual nationality which they no doubt found useful at times, but which was apt to exasperate both the Chinese and the Japanese authorities. The Japanese, prior to 1931, were not able to exercise any control over Koreans in areas remote from the cities or the S.M.R. Zone in Manchuria. Many of the Koreans in Manchuria were actively anti-Japanese; Communism

[1] ***Lytton Report,* p. 57.**

made considerable headway among some of them; although others were more influenced by Christian missions. The Japanese consular police claimed die right *to* search for and apprehend Koreans in Manchuria who took part in activities directed against Japanese rule in Korea. This Japanese claim produced clashes with the Chinese authorities, although diere were also instances of co-operation. Thus the 'Mitsuya Agreement' of 1925, negotiated by the Japanese Police Commissioner of die Government-General of Chosen and the Chinese Police Commissioner of Fengt'ien Province, provided for the arrest by the Chinese authorities of designated leaders of Korean anti-Japanese societies and also of 'Koreans of bad character', and for their delivery to the Japanese.[1]

Some of the Koreans who came into Manchuria were resident in the towns as servants, coolies, shopkeepers, and petty traders, and in some cases, as drug peddlers, and brodiel keepers. But the great bulk of the Korean immigrants were rice farmers. As such they did not come into direct competition with the Chinese farmers, who were not to any degree cultivators of rice, especially paddy rice. The low standards of living and die hard chmate of Northern Korea inured the Koreans to the hardships of life in Manchuria, so that, unlike the Japanese, they could become successful immigrants without needing State aid. Most of them were tenant-farmers of Chinese landlords, and as such, suffered from high rents and rates of interest *on* loans, although probably not more so than they would have done *in* Korea, or than did Chinese tenants in Manchuria. There were, however, frequent disputes between Korean and Chinese farmers over water-rights, since Korean irrigation ditches and drains to secure the water necessary for wet rice farming were apt to menace die water supply of their Chinese neighbours. The Wanpaoshan affair of the summer of 1931 was an outstanding instance of this; it was not, however, such a serious matter in itself, and might have been adjusted, but for the intervention of Japanese consular police, which revived the Sino-Japanese dispute over the interpretation of the Treaty of 1915; and for the anti-Chinese riots in Korea, caused by false stories that Korean lives had been lost at Wanpaoshan.[8]

With the growth of Chinese national feeling, the attitude of the Chinese authorities towards the Koreans hardened. The Chinese regarded them as conscious or unconscious agents of Japanese

[1] *Lytton Report,* p. 61. * ibid., pp. 61-63.

imperialism in Manchuria, and proceeded to discriminate against those who had not acquired Chinese naturalization papers, or whom they suspected of having done so to subserve Japanese ends. The existence of Korean Residents' Associations, subsidized by the Japanese Government; of Korean schools run on Japanese lines; and of Korean village settlements in the S.M.R. Zone, established by the S.M.R. as railway-protected villages, were all anathema to the Kuomintang Nationalists. From 1927 until September 1931 a political and economic campaign of increasing harshness was waged against the Koreans in Manchuria. This in turn aroused anti-Chinese feeling among the Koreans and so played into the hands of the Japanese.

The establishment of ^anchukuo' enabled the Japanese to assert control over the Korean communities throughout the country, although in the more inaccessible parts of Chientao and of eastern Manchuria Korean anti-Japanese guerrilla elements continued to be active. But in the main the Koreans became effective agents of Japanese policy. Those in the S.M.R. Zone co-operated with the Japanese in the initial overthrow of Chinese authority, while many Koreans were employed in the 'Manchukuo' admimstration especially as interpreters and police. They were thus in a position to pay off old scores, and often did so. Also a great many Koreans flocked into the Manchurian cities as camp followers of the Japanese; some became respectable labourers or traders; others followed nefarious and disreputable pursuits.

Under the terms of the Japan-'Manchukuo' Protocol of 1932, the Koreans, as Japanese subjects, were entitled to reside and to acquire land in any part of Manchuria. The Japanese were anxious to promote Korean colonization for both political and economic reasons. Increased Korean immigration would offset the largely Chinese character of Manchuria, while the Koreans would be dependent on the continuance of Japanese control for the retention of the privileges which they had secured under 'Manchukuo' and could therefore, in the main, be regarded as reliable agents of Japanese domination. An increase of Korean rural settlement was desired in order to enhance rice production in Manchuria to meet the needs of the Japanese military and civilian communities, and as the Japanese hoped, to provide an additional source of rice supply for Japan itself.[1]

1 See Chapter IX.

The Treatment of Racial Minorities

Prior to the establishment of 'Manchukuo' there was little in the nature of Japanese State-aided Korean migration into Manchuria, as the Japanese had not the necessary control outside of the Kwantung Leased Territory and the S.M.R. Zone. After the foundation of 'Manchukuo' the situation changed, and the Japanese military and civil authorities there, in conjunction with the Korean Government-General, began to promote subsidized Korean emigration to selected areas in Manchuria; to re-settle those evicted during the disturbances of 1931-32 and to group existing settlers in village defence zones.

The promotion of subsidized Korean rural settlement in Manchuria was closely associated with that of Japanese agricultural communities there. The Koreans were utilized *to* pave the way for the Japanese colonists by undertaking the initial clearing of the land and preparing the rice fields, while after the arrival of the Japanese the Koreans served as intermediaries widi the Chinese authorities, as labourers and in some cases as tenantry of the Japanese. But for the utilization of the Koreans in these respects, the Japanese subsidized agricultural settlements would probably never have taken root.[1]

In September 1936, the To-a Kangyo, or East Asia Development Company, which had hitherto been handling Korean land settlement in Manchuria, was replaced in this function by two special companies. This coincided with the establishment of a new company for the promotion of Japanese colonization and the adoption of the plan for more emigration from Japan. 'With the growing importance of Japanese immigration into Manchuria and the adoption by Japan of her subsidized mass-immigration programme, the supervision of Clioscncsc immigration and their settlements in Manchuria became equally important.'*

The Chosen-Manchuria Development and Settlement Company, established at Seoul, was the parent company and holding company for the Manchuria-Chosen Development and Settlement Company established at Hsinking. The parent company had an initial capital of 20 million yen, and was headed by General Ninomiya. The Korean Government-General concerted with the Government of 'Manchukuo* a plan for the settlement of a maximum of ten thousand Korean households annually, over a period of fifteen years, in special subsidized settlement zones along the

[1] See Chapter V. [2] *S.M.R., Sixth Report on Progress in Manchuria,* 1939, p. 130.

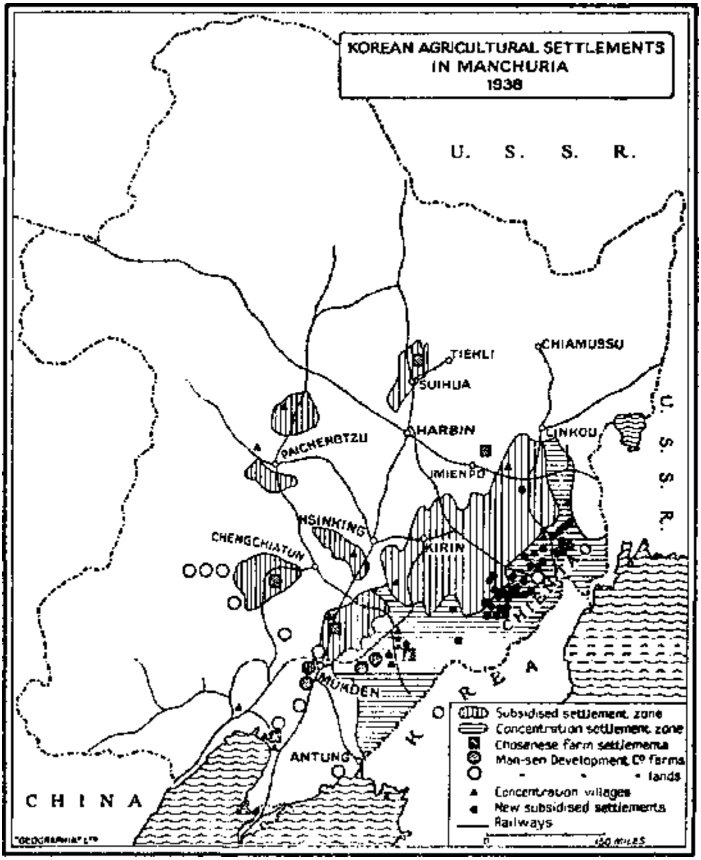
Manchurian-Korean border and within the provinces of Chientao, Tunghua, Kirin, Fengt'ien, and Antung. The 'Manchukuo' Government designated the number of migrants to be sent each year and the Korean Government-General, after careful investigation, issued the necessary certificates to prospective emigrants. In 1937, 2,533 households, with 13,216 persons, were settled in forty-four villages, and in the spring of 1938 a further 2,799 households, with 14,198 persons.[1] In 1938, the Chosen-Manchurian Company established a camp at Mensenri, in Korea, for the spiritual and technical training of Korean emigrants prior to their departure for their allotted areas in Manchuria, where they were supervised by the Manchuria-Chosen Company.

hi addition to bringing these carefully selected Koreans into Manchuria and establishing them in the 'subsidized settlement zone', the Japanese also endeavoured to increase their control over those already there by means of what they termed * concentration-village' settlements, a scheme initiated in 1933 by the Korean Government-General and the Japanese Consulate-General in Chientao. The idea was to round up scattered Korean farming families and bring them together in villages in designated areas, where they could better protect themselves against banditry and where the Japanese authorities could more effectively supervise and control them. This work was extended beyond Chientao and was handed over to the Manchuria-Chosen Company. A 'concentration settlement zone' was designated; this included seven hsicn in Kirin Province, four hsien in Fengt'ien Province, two hsien in Lungchiang Province, and one hsien each in Mutanchiang, Pinchiang and South Hsingan Provinces.[2]

How far the Koreans benefited by this policy is a moot point. Those who settled in the subsidized and concentration zones received lands, houses, agricultural implements, and financial aid. The Man-Sen Company claimed to have improved the status of the Korean tenantry by purchasing the lands they rented from the Chinese owners, and allotting them as freehold to die Koreans on easy annual terms of repayment of die capital expended. The Chinese declare, however, diat the lands given to the Koreans were filched from the Chinese owners, and some of the Koreans

^*S.M.*R., *Sixth Report on Progress in Manchuria,* 1939, p. 132.

* ibid., p. 133. The close relationship between Korean and Japanese State-aided settlements is illustrated by their geographical propinquity. See maps of Japanese and Korean settlement.



were turned out after the collapse of 'Manchukuo'.[1] While they may have been enabled to despoil their Chinese neighbours, the Koreans were themselves hewers of wood and drawers of water for the Japanese colonists, and were under the watchful and suspicious eye of the Japanese police and Gendarmerie.

During the 'Manchukuo' regime the Korean community in Manchuria greatly increased in consequence of both free and State-assisted immigration. In August 1945 there were, according to 'Manchukuo* statistics, some 2 million Koreans in Manchuria

[1] *China Newsweek, 12* **June 1947, p, 3.**

or over 5 per cent of the total population. Despite a considerable influx into the towns, 90 per cent of the Koreans were settled on the land as rice farmers. The Chinese authorities have announced their intention of deporting 'a few criminals and miscreants', but of permitting the rest to remain. The Koreans, in common with the inhabitants of Manchuria generally, have suffered heavily from the parlous political and economic conditions which supervened after the collapse of Japan.[1] Many are reported *to* have gone to the American zone in Korea.

The Russian community in Manchuria originally developed in consequence of the Russian penetration of the country and of the construction of the C.E.R. Harbin became and remained the principal centre of Russian settlement. After the Russian Revolution in 1917, and especially after the defeat and overthrow of the regime headed by Admiral Kolchak and of other monarchist movements in Siberia during 1920-22, many Russian refugees from the Bolsheviks poured into Manchuria. A large proportion of this sad diaspora went on to Tientsin, Shanghai, and elsewhere in China, but some remained in Manchuria, to swell the number of the Russian community diere. Their plight was no enviable one; deprived of their former extraterritorial rights, and with no consular or diplomatic authorities to protect their interests, they were at the mercy of the local Chinese officials, who often took every opportunity *to* fleece them.[2] Some acquired Chinese naturalization papers as a means of protection against discrimination and, as time went on, a few of the younger generation began to hope for a reconciliation with the Soviet authorities, but most of them remained bitter enemies of the Soviet regime, and continued to long for its downfall through foreign intervention.

Some of the Russian community continued to find employment in the railways, and others in the professions and in commerce in Harbin; yet others, such as the Transbaikal Cossacks of the Sanho (Three Rivers) district in north-western Manchuria, founded pastoral and agricultural settlements, but a large number of the Russians were reduced to competing with the Chinese as labourers and coolies. A new factor was introduced as a result of the Sino-Soviet agreements of 1924, in consequence of which the C.E.R. passed under Soviet management and a number of Soviet officials and other Soviet citizens came in as railway officials and

[1] *China Newsweek,* 12 June 1947, p. 3. [2] *Lytton* ***Report,*** **p. III.**

employees. Apart from the bitter feeling between 'Red' and * White* Russians, the constant trouble between the Soviet organizations and officials and the Chinese authorities, arising from disputes over the railway agreement and about Soviet propagandist activities, resulted in increased hardships for all the Russian inhabitants. In 1927, according to local statistics, there were 55,959 Russians in Harbin, made up of 30,322 'denaturalized', i.e. 'White' Russians and 25,637 Soviet Russians.[1] The large number of the latter suggests that some at least of the Harbin community had tried to ingratiate themselves with the Soviet authorities in order to earn a living. The Chinese authorities could not be sure who were pro-Soviet and who were anti-Soviet among the Russians and so tended to regard all of them as an alien and dangerous element in the country, just as they did the Koreans.

This situation made fertile ground for Japanese propaganda among the 'White' Russians, who were even urged to believe that Japanese domination in Manchuria would put an end to the oppression from which they had suffered, and also that one day Japan would aid in the overthrow of the Soviet regime itself and in the restoration of the monarchy and of the Orthodox Church in Russia. The disorder and banditry which occurred in Harbin and surrounding districts following the downfall of the Chang regime was a further factor in the welcome which most of the 'white' Russian community extended to the Japanese when they entered Harbin in February 1932.

The Russians soon found, however, that they had a set of new and hard taskmasters. The usual swarm of Japanese civilian camp followers descended upon Harbin, and Russian firms and shops were saddled, willy-nilly, with Japanese 'advisers' whose salaries they had to pay and whose limitea acquaintance with the Russian language made them dangerous intermediaries in dealings with the suspicious Japanese authorities, especially the dreaded Japanese Gendarmerie. The various factions among the 'White' Russian emigres made things worse, for many of these were quite ready to denounce one another to the Japanese as anti-'Manchukuo' and pro-Soviet and this meant torture and imprisonment at the hands of the Gendarmerie. Arrests by the 'Manchukuo' police for the purpose of extracting ransom money from the wealthier among the Russian community was another unpleasant feature

[1] *Contemporary Manchuria,* Vol. I, No. 3, September 1937, p. 19.

of, at any rate, the first years of the new regime. The most notorious example of this was the Kaspe affair of 1933, the ramifications of which were brought to light by the efforts of the French Consulate.[1]

As a means of tightening their control over the 'White Russians' the Japanese organized, in 1934, the Russian Bureau of Emigrants' Affairs as the only organ to receive official recognition. All * White' Russians had to register with this body in order to be recognized as belonging to the 'White' Russian community and as eligible for any assistance or relief measures. The nominal head of this body was General Kislitsin, but the most active figure in Harbin was General Rodzaevsky, the deputy-leader, and organizer of the Russian Fascist Union, a totalitarian and anti-semitic body, which had not, however, gained any large following among the Russian community.[2] Among the Russian rural communities, especially in the Amur frontier region, the chief leaders were Ataman Semenov, and General Baksheev. Semenov was an old antagonist of the Bolsheviks, and at least as ruthless as they were. He fell into the hands of the Red Army after its invasion of Manchuria in 1945 and was executed by the Soviet authorities after he had made a 'confession* of his crimes.

The 'Manchukuo' regime brought little economic relief to the Russian community as a whole. IIarbin, which suffered severely from floods in T932, was afflicted by depressed economic conditions. The continuance of bandit raids on the C.E.R. resulted in considerable damage and loss of life; the Soviet manager of the line accused the Japanese of aiding and abetting such raids as a means of putting pressure on the U.S.S.R. to sell the line.[3] Arrests of Soviet officials, and Japanese-sponsored 'White' Russian

[1] *The Puppet State of Manchoukuo* edited by T'ang Leang-li (Shanghai, China United Press, 1935), PP- 119-20. Simon Kaspe was a naturalized French citizen, the son of a rich Harbin Jew. He was kidnapped and a heavy ransom demanded from his father, who appealed to the French Consular authorities. Despite obstruction by the Harbin police and the Japanese military mission in Harbin, the French Vice-Consul uncovered the 'White' Russian gang, one of whom was a Japanese-appointed detective-inspector in the police force. Young Kaspe was murdered by his captors, and though these were eventually arrested, Japanese venom against the energetic French Vice-Consul resulted in his transfer elsewhere.

* Its original membership In 1925 was 200; this increased to 4,000, but later dropped to 1,300. *Contemporary Manchuria,* Vol. I, No. 3, September 1937, p. 19. According to A. PernikofT. *Bushido. The Anatomy of Terror,* pp. 73-5, Rodzaevsky was a thorough scoundrel and even believed to be a Soviet spy. But this book should be treated with great caution. One thing which appears from it is that the savagery of the Russians to one another was as great as that of the Japanese Gendarmerie to political suspects.

* *New York Times,* 12 August 1934.

demonstrations against the Soviet Consulate and the C.E.R. offices, were other features of this campaign.[1] After the sale of the C.E.R. in 1935 most of the Soviet Russian nationals withdrew from Manchuria; those who wished to remain had to register with the Bureau of Emigrants' Affairs. The taking over of the C.E.R. by the Japanese resulted in many Russian employees losing their jobs, while the diversion of freight from Harbin to other centres accentuated the commercial depression. A Japanese publication remarked that 'under such trying circumstances there were not a few uninformed elements among the "White" Russian ranks that credited "Manchukuo" with causing such a situation and blamed the new government for the misery of the afflicted people.'[2]

According to figures compiled by the Bureau of Emigrants' Affairs in November 1935, out of 22,526 Russians aged seventeen and upwards, 10,251 were employed and 12,275 unemployed. There were 712 railway employees, 1,968 in business and industry, and 7,571 labourers. Their average monthly earnings were, for males, 70- 5 yuan for business employees, 64-7 yuan for railway workers, and 58-3 yuan for labourers; the last figure being about the same as was received by Chinese labourers, and far less than Japanese labourers could obtain.[3] After 1935 the Japanese claimed to have effected a material improvement in this situation by employing larger numbers of Russians on the railways, in the city government, and in industrial enterprises; as well as by promoting Russian rural settlement through financial and other assistance.[4] They also recruited 'White' Russians for the police force and to form detachments in the 'Manchukuo* army.

In general, however, the 'White' Russian community found the realities of life under 'Manchukuo' very different from the lavish promises made them by Japanese agents. Those who had hoped for Japanese co-operation against the Soviet Union saw their hopes dashed by the conclusion of the Soviet-Japanese Neutrality Pact in April 1941. The outbreak of war between Soviet Russia and Nazi Germany caused a resurgence of patriotic feeling for their Russian fatherland among some of the Russian emigres, though the older generation remained hostile. After the Soviet invasion of Manchuria in 1945 most of the Russians there, despite

[1] *New York Times,* 23 January, 1934.
[1] *Contemporary Manchuria,* Vol. Ill, No. 2, April 1939, p. 74.
•ibid., Vol. I, No. 3, September 1937, pp. 26-27.
* ibid., Vol. Ill, No. 2, April 1939, pp. 7£-79.

initially harsh treatment at the hands of the Red soldiery, were reported to be seeking to acquire Soviet citizenship.

The Moslems in Manchuria, as elsewhere in China, are in fact a religious rather than a racial minority; but are counted among the latter because of the large Turki or part Turki element among them, especially those in Hsinchiang and Kansu Provinces. The Moslems in Manchuria have been estimated variously at from about a quarter of a million, to two million, the lesser figure being probably nearer the mark.[1]

The Japanese endeavoured to utilize them in spreading pro-Japanese sentiments among the Moslems in China and the Far East generally; with this object in view a 'Manchukuo' Islamic Society was organized in May 1939. This body sent delegates to an East Asia Islamic Conference held in Tokyo in September 1939.[2] But the Chinese Moslems in general preferred to follow the example of their leading representative, General Pai Chung-hsi, in remaining loyal to the Chinese national cause as the best means of securing equality of treatment.

[1] According to the census figures of December, 1939, there were 172,894 Mohammedans in 'Manchukuo' oro-j per cent of the total population. *The Far East Year Book*, 1941, p. 611.

[2] *Shanghai Sunday Times*, 29 December 1940.

CHAPTER V

Japanese Immigration and Settlement

IN 1907 there were some 40,000 Japanese civilians in Manchuria; in 1931 the number had grown to 240,000, and by 1939 to 837,000.[1] It was not until 1932 that the Japanese in the rest of Manchuria came to surpass in number those resident in the Kwantung Leased Territory, and the Japanese in the Kwantung Leased Territory and the S.M.R. Zone, taken together, were always materially larger in number than those elsewhere in Manchuria up to the transfer of the Railway Zone to 'Manchukuo' in 1937.

The great majority of these Japanese immigrants were resident in the cities and towns, as business men and small shopkeepers, officials and professional men, employers and industrial technicians, and railway employees, with a minority of domestic servants and general labourers. All the chief cities of Manchuria had in 1940 very considerable Japanese minorities; thus there were 165,695 in Dairen, which comprised one-third of the total population; Hsinking had 96,018, or about a quarter of the total inhabitants; and Mukden 110,000, out of a total population of just over a million. Colliery, mining, and iron-smelting towns such as Fushun, Penhsihu, and Anshan, also had a substantial Japanese population. The bulk of the Japanese urban dwellers were in southern and central Manchuria, with, however, increasing numbers in the rapidly growing towns of the eastern part of the country, such as Mutanchiang and Chiamussu. In northern Manchuria Harbin had 38,197 Japanese, about one-twelfth of its total population, Kirin 11,866, about the same percentage as Harbin, and Tsitsihar had 11,217, or approximately one-ninth of its total population.[2]

[1] These figures are inclusive of the Kwantung Leased Territory. The 1907 figures were 24,572 for the Leased Territory and 13,313 for the S.M.R. Zone, no figures were given for the rest of Manchuria, but it may be assumed that there were a few Japanese shopkeepers and traders in this area. The 1931 figures were 119,770 for the Kwantung Territory, ioo, 268 for the S.M.R. Zone and 1 3, 282 for the rest of the country. Figures for 1907 and 1931 compiled by E. S. Kirby from Japanese official sources in Manchuria and Japan, and listed in his unpublished thesis *The Economic Organization of Mancboukuo,* p. 29. In 1939 there were 642,300 Japanese in Manchuria exclusive of the Kwantung Leased Area. *The Far East Year Book,* 1941, p. 610.

[2] ibid., pp. 836-44.

These Japanese urban residents were not, for the most part, permanent settlers, but constituted a floating population. A good proportion of the lesser fry were adventurers and profiteers who came to Manchuria for the pickings, either in the wake of the invading Japanese armies in the Russo-Japanese War of 1904-5, or, during a later period, after the Kwantung Army had seized all Manchuria in 1931-2. They looked to make quick profits either as unscrupulous traders or as venal officials, and then to return to Japan with their booty. This type of Japanese immigrant did not serve to make Japanese rule any less unpopular in Manchuria, or, for that matter, *in* Korea and in the rest of China, where a similar influx took place. But even the more respectable classes of Japanese in all walks of life did not, in general, desire to make Manchuria, which is so different in physical aspect and climatic conditions from Japan, their permanent home. There was, furthermore, constant shifting of Japanese official personnel between their homeland and Manchuria. The permanent residents were mostly S.M.R. employees and certain classes of technicians.

Ever since the Treaty of Portsmouth in 1905 gave Japan a firm footing in Manchuria Japanese statesmen had cherished the dream of colonizing that country with large numbers of Japanese, who should be settled on the land as farmers and become permanent residents. General Count Kodama, chairman of the Committee entrusted with the organization of the S.M.R. Company; Count Goto, the first President of the S.M.R.; and Marquis Komura, Foreign Minister in 1905, all advocated a large-scale settlement of Japanese farmers in Manchuria, the figure of 500,000 being frequently mentioned.[1]

This mass colonization of Manchuria was advocated for various reasons. Of these the strategic and political were perhaps always the weightiest; this was certainly so with the Japanese Army leaders. A solid block of Japanese farmer settlers, most of whom would be army reservists, would serve as auxiliaries to the regular Japanese Kwantung Army, especially in guarding lines of communication, and would be a valuable help in die event of a renewal of war with Russia, who was promoting the settlement of her own people in North Manchuria, along the C.E.R. Zones,

[1] Goto's reasons were expressedly political. Yosuke Matsuoka, a later President, was less enthusiastic, because of the higher wage bill which **the** employment of Japanese would entail. *Japan-Manchoukuo YearBook,* 193c, p. 825.

and who cherished similar projects of large-scale Russian immigration. An influx of Japanese rural settlers would offset the tide of Chinese immigration, and would prevent the Japanese military forces and urban dwellers in Manchuria from being small communities scattered among a great Chinese population.

From the economic standpoint a large exodus of Japanese to Manchuria would greatly stimulate and expand the market for Japanese goods there, particularly if the Japanese farmers could maintain a standard of living higher than that of the Chinese. Finally, it was hoped that such emigration would relieve the overcrowded rural areas of Japan and alleviate the hardships of her peasantry, especially in the poorer and frequently famine-stricken northern prefectures. Emigration to Manchuria as a solution of the problem of surplus population with which the Japanese declared they were faced, was the aspect of the matter which was given most publicity by Japanese propagandists of such a measure, particularly in material intended primarily for foreign consumption. It was of course connected with the limitations or prohibitions placed on Japanese immigration into the United States, the British Dominions, and Latin America.[1]

But the grandiose Japanese schemes of rural colonization in Manchuria produced only very minor results before 1932, and this for a variety of causes. Prior to the 'Incident' of September 1931, the Japanese controlled only the Kwantung Leased Territory and the zones adjoining the S.M.R. line; and before 1915 they could claim no rights of land ownership or lease beyond these. As these restricted areas had a dense Chinese population there was little fertile land available for Japanese colonization. This situation was altered by the Sino-Japanese Treaty and accompanying Notes concluded on 25 May 1915, in consequence of the famous 'Twenty-one Demands'. This Treaty provided that 'Japanese subjects shall be free to reside and travel in South Manchuria and to engage in business and manufacture of any kind whatsoever*, and, furthermore, that 'Japanese subjects may, by negotiation, lease land necessary for erecting suitable buildings

[1] How far rural distress in Japan could have been solved by changes in the structure of rural society, by technical aids in agricultural production as well as through migration to Japanese urban industrial areas *is* a matter outside the scope of this study. Some Japanese publicists were no doubt sincere in putting forward the plea of over-population as justifying Japanese colonization schemes; while with others this theme was used to mask the military and political motives by which in reality they were swayed.

for trade and manufacture or for prosecuting agricultural enterprises'.[1]

The exchange of Notes which accompanied the Treaty defined the expression lease by negotiation* to imply, according to the Chinese text 'a long-term lease of not more than thirty years, and also the possibility of its unconditional renewal*. The Japanese version was in a stronger form and provided for 'leases for a long-term and unconditionally renewable'.[2]

The Chinese bitterly resented the Treaty of 1915 as imposed upon them by *force majeure* and their attitude hardened after the upsurge of national feeling which resulted in the triumph of the Kuomintang in 1928. They challenged the general validity of the Treaty, but here they had a very questionable case, and one which they could not then make good against Japan. They were on stronger ground in making use of textual variations to interpret as narrowly as possible concessions granted by the Treaty. They saw in the clauses relative to Manchuria a danger of the Japanese getting control of the whole country, and the determination to put every obstacle in the way of this was common to both the Central Government and the Manchurian regime of Marshal Chang Tso-lin and of his son. The Chinese authorities in Manchuria therefore did all they could to prevent the Japanese from acquiring land in Manchuria. They refused to allow outright purchase of land, or its acquisition through being mortgaged to Japanese, since the Treaty did not cover these matters. They also declared, taking their stand on the Chinese text of the Treaty, that they were not bound to renew Japanese land leases. Furthermore, Chinese local magistrates were threatened with punishment by their superiors if they did approve the leasing of lands to Japanese.

All tins proved a great hindrance to the acquisition of lands in Manchuria by Japanese subjects, and was a cause of bitter disputes between the Japanese Government and the Chinese Central Government and Manchurian officials. Japanese publicists adduced this Chinese policy as not only a justification for the action of the Kwantung Army in 1931, but also as the reason why

[1] *Lvtton Report,* p. 54. This is translated from the Chinese text. The English version of the Japanese text says that 'The subjects of Japan shall be permitted in South Manchuria to lease land necessary either for erecting buildings for various commercial and industrial uses or for agricultural purposes'. C. W. Young, *The International Relations of Manchuria* (Chicago: University of Chicago Press, 1929), p. 137.

[2] *Lytton Report,* pp. £3-4.

Japanese colonization plans bore little fruit prior to that action. This latter plea ignores the fact that, on the evidence of Japanese official sources, the Chinese attempt to prevent Japanese from securing land in Manchuria was far from being a complete success. According to these Japanese sources, the Japanese not only succeeded in leasing lands, but in some cases secured full ownership, either by purchase or through foreclosing a mortgage. Japanese loan associations, some of which were organized for this specific purpose, secured wide tracts of land through the last-named process. Thus, according to Japanese official sources, the total amount of land secured by Japanese in Manchuria and Jchol increased from about 80,000 acres in 1922-23 to over 500,000 acres in 1931. A small proportion of these lands was in North Manchuria which was not covered by the Treaty of May 1915, and where the Japanese had no legal right to acquire even a lease of land.[1] In so far as the land titles both in North and South Manchuria were disputable under Chinese law, Japanese colonists might have been deterred from taking them up for fear of dispossession. Also the total amount of land obtained, including that held on uncertain title, was insufficient for a colonization plan on the scale envisaged by Japanese enthusiasts.

It was, however, enough to permit Japanese rural settlement in Manchuria to a greater degree than was actually attempted, so that the mcagreness of the results obtained before 1932 cannot be wholly attributed to die not unnatural Chinese hostility and obstructiveness. The formidable climatic, economic, and social barriers to successful Japanese rural colonization in Manchuria must also be given full weight, and these are best illustrated by a brief account of the fate of such settlements as were actually attempted.[2]

In 1915 the S.M.R. sponsored the settlement of ex-soldiers and their families on a location called Aikawa village in the Kwantung Leased Territory, some sixteen kilometres north of Chinchow. Each family received a freehold grant of from 12 to 20 Cho (1 cho=2-45 acres) of land, either rent free or at a very low rent, together with a 300 yen loan for the purchase of housing materials and agricultural implements. Special cheap fares were accorded to immigrants from Japan, and S.M.R. officials undertook the

[1] *Lytton Report,* p. 54.
* The data on these is derived from Kirby, op. cit., pp. 30 et seq.

general supervision of the colony. From 1915-17 thirty-four families took up land on diese favourable terms, carrying on rice farming, mulberry cultivation and poultry rearing. But the hard and uncertain climate, the unfamiliar conditions, and the competition of Chinese farmers proved too much for most of the immigrants, despite further financial aid. Nearly all the original settlers left after encountering bad harvests and, although others came in, the settlement never prospered and by 1937 there were only seven families left.

The Dairen Agricultural Company, founded in 1929, as a subsidiary of the S.M.R., launched several settlements of Japanese ex-service men and their families in the Leased Territory, and accorded them extremely generous terms both as to land grants and general financial aid. These settlements fared better than that of Aikawa, they were most successful in fruit growing, and in wet rice cultivation in which, according to the statistics of the Kwantung administration, they did better than their Chinese neighbours. But it must be remembered in this connexion that the Chinese farmers had to stand on their own feet, without any of the official aid and encouragement received by the Japanese.

Apart from these officially-sponsored and planned settlements there was also a certain amount of'free* immigration by Japanese farmers, both in the Kwantung Leased Territory and in die S.M.R. Zones outside it. The term Tree immigrant' means merely one who was not a member of a colony planted and supervised by a Japanese govcnimental agency, but one who applied for land in Manchuria offered by such an agency or by a colonization company, and who, if approved, took up such land and farmed it without continued official supervision to the degree which prevailed in the 'model' settlements. It is not in the Japanese character to emigrate in the individualist and self-reliant style of the pioneers who settled the American West. This 'free* Japanese immigration was on a very limited scale and while some of the settlements achieved success, especially those which specialized *in* fruit-farming, others came to grief. This was particularly true of those established on the lands which the Japanese secured outside the S.M.R. Zones. Here the hostility of the Chinese authorities and the depredations of bandits combined with the harsh climate and the competition of Chinese farmers with a lower living standard to make success impossible.

Japanese Immigration and Settlement

At the time of the Manchurian 'Incident' in 1931 there were 1,400 Japanese agricultural families, comprising a total of 4,500 persons, settled *in* Manchuria, including the Kwantung Leased Territory. Their experiences had shown that it was possible for Japanese to make a success of farming in Manchuria, but at a heavy financial cost to the Japanese Government, and then only if they confined themselves to raising crops such as rice or fruit, which were not the staple products of the Chinese.

The establishment of 'Manchukuo' by the Kwantung Army and the overthrow of the Chang Hsuch-liang regime removed Chinese official opposition to the acquisition of land by Japanese nationals and to Japanese rural settlement, although it also deepened the hostility of the general Chinese populace and greatly accentuated the bandit problem. The existing Japanese settlers, consisting mostly of time-expired soldiers, had done useful work in guarding lines of communication during the fighting which followed the events of 18 September 1931 and this strengthened the desire of the Kwantung Army chiefs to establish a scries of strategic settlements somewhat on the model of the Roman coloniae. Little could be done until the initial period of strife and disorder was over, but from the autumn of 1932 the planting *of* these strategic colonies was begun, and this initiated the first or experimental stage of Japanese land settlement in 'Manchnkno/

The first group of cx-scrvice men and reservists, carefully selected from the rural communities in the northern prefectures of Honshu, was settled at Yungfengchen, south-west of Chiamussu, in eastern Manchuria, where it arrived in October i932.The settlers found themselves in a region destitute of communications, and swarming with Chinese bandits and guerrilla forces so that, despite die presence of large Japanese regular forces of the Kwantung Army, the colonists had constantly to fight armed raiders. Although they came from the cold and bleak northern portion of Japan, the sub-zero winters of eastern Manchuria forced on them new styles of house-building and heating, and their life for the first three years was a constant battle with human enemies and adverse climatic factors. Some of them gave up and drifted into the cities to find more congenial surroundings, others were killed by the bandits, but the majority survived, and by the end of 1935 had got over their worst difficulties. The establishment of road and rail communications, as well as telegraphs, served to ease their lot, especially by assisting in the process of pacification. They were thus able to replace their original stockaded log huts by limestone and brick buildings, and to bring over their wives and children from Japan. By the opening of 1937 their numbers had grown to over a thousand. The second group of soldier colonists was settled at Hunanying, south-west of Chiamussu, in July 1933. Their experiences with bandits and with the climate were generally similar to those of the first group, but they, too, managed to survive and to make progress, albeit slowly and with difficulty.[1]

The third group included older men than those in the first two groups and was also noteworthy in that its members were drawn from all parts of Japan, including Kyushu, with its extremely mild climate. This third contingent was established at Sui Lang, some 200 kilometres north of Harbin, in October 1934. It too got over its initial difficulties and began to increase in numbers, despite many defections. A fourth and larger group was sent out in 193 5-6 and located in eastern Sanchiang province; along the railway between Link'ou and Mishan, principally at Chen Tzu-ho and Ilata-ho. Jt should be noted that these group settlers were subdivided according to the prefectures from which they came, so that each group settlement consisted of scattered sub-groups, each composed of people who came from one particular district in Japan. By 1936 there were, according to Japanese official sources, 4,245 persons in the four Government-controlled soldier settlements.

The record of these pioneer settlements was the subject of a debate on the future of Japanese colonization in Manchuria which took place at a conference in Hsinking in November 1934, attended by Japanese military and civilian officials in the 'Manchukuo' Government, and by representatives of the Japanese Ministry of Overseas Affairs.[2] The conference decided that the results of experimental colonization had proved beyond question that Japanese rural settlement in Manchuria haa a promising future, provided that all the social and economic factors received full consideration in the planning of fresh ventures. This decision was not reached without considerable argument and dissension, and it may be reasonably presumed that those who did not agree

[1] S. Inouye, 'Japanese Immigration to "Manchukuo" \ *Manchuria,* i February 1940. pp. 10-15.

[2] *S.M.R., Fifth Report on Progress in Manchuria,* 1936, p. 132.

with the majority verdict were concerned at the heavy expense of such settlements and with the tendency on the part of the settlers to employ Korean and Chinese labourers on their farms or to rent their holdings to Koreans and Chinese. This process defeated the main purpose of those sponsors of colonization who wished to Nipponize the frontier regions of Manchuria, yet without Korean or Chinese labour the settlements would probably not have survived.

In April 1934 the To-A Kangyo, or East Asia Industrial Development Company, a semi-official concern, secured the earmarking for new Japanese settlement of a million cho of virgin territory in northern and eastern Manchuria, while *in* the following year the 'Manchukuo' Government placed a quota on Chinese immigration into Manchuria so as to keep the field clear for larger Japanese colonization projects. In December 1935, the To-A Kangyo was replaced by the Manshu Takushoku Kabushiki Kaisha, or Manchuria Colonization Company, a semi-official 'Manchukuo' Goveniment concern, with an initial capital of 15 million yuan, equally subscribed by the Japanese and 'Manchukuo' Governments. It received the 2-5 million acres of land secured by its predecessor and was charged with the task of bringing in 20,000 Japanese farming families over a ten-year period, beginning with an initial 1,500 households during 1936,[1]

This was a formidable undertaking but it did not satisfy die more ambitious colonial planners. In June 1936, a further conference in Hsinking produced a programme for the settlement in Manchuria of 1 million Japanese farming families, or approximately 5 million individuals, over a twenty-year period. This programme was approved by the Japanese Cabinet and publicly aimounced by the Prime Minister on 25 August 1936. An initial five-year programme of Japanese rural settlement was incorporated in the first 'Manchukuo' Five-year Industrial Development Plan, launched in 1937. *On* 1 September of that year the Manchuria Colonization Company was replaced by a new organization, the Manshu Takushoku Kosha, or Manchuria Colonial Development Company, incorporated both in Tokyo and Hsinking, and capitalized at 50 million yen. This new corporation was to be under the supervision of the Manchuria Colonial Development Committee, a joint Japanese-'Manchukuo' organization,

[1] ***S.M.R., Sixth Report on Progress* in *Manchuria*, 1939, p. 119.**

composed of seven representatives of the Japanese Government and an equal number from the 'Manchukuo' Government. The duties of the Committee were to draw up colonization plans and to make recommendations in all matters concerning Japanese colonization in Manchuria.[1]

The reasons for the adoption of such a gargantuan scheme were primarily military, and it found its strongest supporters in the Kwantung Army and the Tokyo Ministry of War; the Japanese Ministry of Finance was less enthusiastic. Both 'Manchukuo' and Japanese official statements laid emphasis on the 'national defence' aspect of the plan. The presence of a substantial Japanese population in the frontier regions of 'Manchukuo' would, *it* was anticipated, prove a valuable aid in the far from completed task of internal pacification, and, even more important, be of material assistance in the event of war with a foreign Power, since a large proportion of the colonists would be ex-service men, and all males selected would receive military training in the colonization institutes. Thus, in case of war with the U.S.S.R., which the Japanese obviously had in mind, the Kwantung Army could rely upon the colonists to guard lines of communication and to serve as reinforcements if necessary. Also a screen of Japanese settlements in the frontier zones could prevent the Russians from securing information about Japanese movements, which a Chinese population hostile to their Japanese conquerors would be ready to accord.

The relief of agricultural over-population in Japan was given second place in the justification of the twenty-year plan. The Japanese Ministry of Overseas Affairs published figures to show that there were 5½ million Japanese agricultural households cultivating a total of 6 million cho of land, an average of little more than 1 cho per household, whereas 2 cho per household was declared to be the desideratum, which meant that Japan had a surplus agricultural population of 2- 5 million fannlies. Other Japanese statistics were put out to show that 35 per cent of Japanese farming households had only about half a cho of land each, and it was from among these 'sub-marginal' farming households that it was proposed to draw the bulk of the emigrants to 'Manchukuo'.

In the third place, there was the stimulus which the colonization plan would give to the general planned industrial development of

[1] *S.M.K. Sixth Report on Progress in Manchuria*, **p. i2o.**

'Manchukuo* under the auspices of the Kwantung Army. The immigrants and their children would provide a better educated and more adaptable reservoir of labour than could be derived from the Chinese population. Furthermore, the presence of a large minority of Japanese would weaken the racial and cultural ties between Manchuria and the rest of China, and strengthen those which bound it to Japan.

The initial five-year plan envisaged the settlement of 100,000 Japanese families in 'Manchukuo' by the end of 1941, at a cost to the Japanese Government of 890 yen per family in travel expenses and direct subsidies[1] and of a maximum of 1,900 yen per family in the shape of loans by the Manchuria Colonial Development Company. It will be observed that at this rate of expenditure the initial direct and indirect costs to the Japanese Government of the twenty years' scheme would have been around 3,000 million yen. The total cost to Japan and 'Manchukuo', including expenditure on training centres, land improvements, and road building, would have been much more, perhaps in the neighbourhood of 10,000 million yen. Even had Japan remained at peace this colossal sum would have proved a heavy drain on her resources, especially in view of her general expenditures, including those for industrial development in Manchuria.

The colonization plans recommended that each farming household be provided with 10 cho of arable land and the same amount of pasture land, or roughly 50 acres in all. Thus the million households would have needed 20 million cho, or approximately 50 million acres. Was there so much available uncultivated land in Manchuria? Field surveys carried out by the 'Manchukuo* Government resulted in an official estimate in 1937 that there were 43•6 million acres of land available for agricultural cultivation.[2] This was exclusive of the four Hsingan provinces, but as these had been reserved primarily for the Mongols, and also are generally arid in climate, they could not afford any substantial space for mass Japanese colonization. Thus, even accepting the Japanese estimate of the available land in Manchuria, there was not sufficient to accommodate a million Japanese families, unless the allotment per family was reduced. But the estimate certainly included

[1] This amount was for the mass settlers; free immigrants received a maximum of joo yen. *S.M.R. Sixth Report on Progress in Manchuria,* p. 121.

[2] A. J. Grajdanzev, op. cit., pp. 9-10.

a great deal of poor land, swampy, forest-clad and alkaline. Furthermore, the severe climate of Heiho and Lungchiang provinces, in which a large proportion (17·8 million acres) of the available land was situated, either precludes the raising of such staple crops as soya beans, or renders their yield extremely low. In 1925 the Economic Bureau of the Chinese Eastern Railway undertook an investigation of the lands available for colonization in North Manchuria, and its findings were analysed in 1928 by a Russian author, E. E. Yashnov. He concluded that of the uncultivated land only 9·2 per cent was really good, 24·8 per cent only of average quality, and the remaining *66* per cent of inferior character.[1] This Russian expert was presumably thinking in terms of Chinese and Russian settlement, to which the climatic obstacles would not have afforded so severe a barrier as in the case of the Japanese. In 1939 the 'Manchukuo' authorities organized the Manchuria Land Development Company, to clear and improve the land acquired for Japanese colonization purposes, but, even so, it appears safe to conclude that the total available acreage of land really suitable for settlement would have proved far less than the optimistic estimate of 1937. Thus the colonization scheme *in toto* could have been carried out only through not merely stopping further Chinese rural immigration, but by removing many of the Chinese farmers already established in the districts within which it was planned that a substantial Japanese population should be planted.

hi order to prepare selected colonists for their arduous task training colleges and institutes were established in Japan. These gave a short prehminary training, while similar institutes established in 'Manchukuo' itself gave a more comprehensive course, especially for volunteer youths and group settlement leaders. The initial five-year scheme provided for two categories of settlers, 'mass colonists* and 'free colonists*. The distinction was less in the degree of official surveillance which now became even more thorough in the case of the 'free' colonists than it had been previously, than in the location of the respective types of settlers. The mass colonists, men of military age, who either had seen army service or who received military training as an important part of their preparation for their new life, were all settled in the frontier regions of eastern and northern Manchuria, whereas the 'free*

[1] ibid., pp. 12-13.

colonists were allotted lands behind the belt of military frontier settlements.

In November 1937, on the recommendation of the directors of the Manchuria Emigration Society, an organization formed in Japan to popularize immigration to Manchuria, a third type of mass colonization was inaugurated, namely that by volunteer youth formations.[1] These youths, of from sixteen to nineteen years of age, were carefully selected and then given two months preliminary training in the camp at Uchihara, in Ibaragi Prefecture, established by the Ministry of Overseas Affairs. They were then segregated according to their districts of origin, a practice uniformly followed in all the officially-sponsored emigration schemes, and sent to training schools in northern and eastern Manchuria, at Nunchiang, Shalanchen, Tiehli, Poli, and Sunhua.[2] Here they embarked upon a three-year course in agriculture, military training and instruction in the Chinese language, as well as in the geography and history (suitably edited) of their new country. After that they were to be settled in groups, and it was hoped that they would form a *corps d'elite* among the Japanese rural communities in Manchuria. Wives, also suitably trained, were in due course to be provided them. Two hundred thousand of these volunteer youths were to be sent to Manchuria during 193 8-42.

The so-called 'free colonists' included officially-aided settlers on forestry lands in Cliientao, on tobacco plantations established by the 'Manchukuo' Department of Industry, and the S.M.R. 'protective-village' settlements in the railway zones.[3] Apart from the three main categories, all official or semi-official, there were a few non-official ones. The Tenshoyen, a social welfare organization which carried on its work in the slum areas of Tokyo, in 1933 settled a group of Tokyo unemployed at Chenchiat'un, in south Hsingan Province, and more in subsequent years. The colonists underwent great hardships from floods, droughts, and insect pests and also from the competition of neighbouring Chinese farmers. Many abandoned the settlement, although others came out, and in

[1] In 1934 an experimental youth settlement was established at Jaoho, in north-eastern Manchuria, and its satisfactory results were followed by a further colonization conference in Hsinking in 1937 which decided to establish training camps for youthful settlers. *S.M.R, Sixth Report on Progress in Manchuria,* 1939, p. 123.

[2] These were the initially established training centres, organized in 1938. Others were set up during subsequent years, and the original ones enlarged, ibid., pp. t 24-r.

[3] In 1937 there were twenty-three 'self-protective' railway villages, with 1,28c members, ibid., p. 126.

1940, according to *Manchuria,* a Japanese English language publication, there were 147 persons cultivating 2,800 acres of land. Another and somewhat more successful settlement was that made under the auspices of the Tenrikyo, a Buddhist sect, which chose a location about sixty kilometres north-east of Harbin. The first settlers arrived in November 1934 and there were, according to Japanese sources, over 400 there in 1940. *

But apart from these few and small private ventures, the great bulk of the Japanese colonists were settled and maintained by official support. According to the *Special Manchuria Numher* publicized by the Toyo Keizai in November 1940, there were just over 68,000 Japanese colonists in Manchuria at the beginning of the year 1940. These were classified as follows:

TABLE V

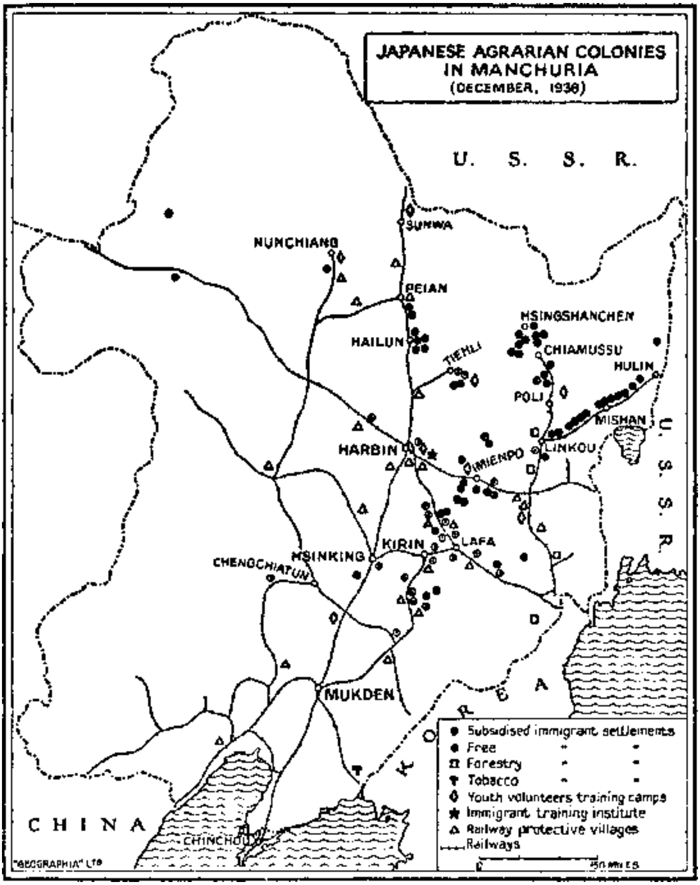
JAPANESE AGRARIAN COLONISTS IN MANCHURIA, 1940

Type	*No. of Settlements*	*No. of Families*	*No. of Dependants*	*Total*
Mass colonists	89	12,631	16,788	29,419
Free colonists	104	3,106	6,788	9,894
Volunteer youths	—	—	—	29,034
Grand total	193	15,737	23,576	68,347

According to *Manchuria* the 29,000 Volunteer Youths were due to complete their training in October 1941, while another 22,000 had begun training. Also, a further 16,000 families were due *to* be settled during 1940-1. Thus it may be inferred that by the outbreak of the Pacific War in December 1941, there were over 100,000 Japanese colonists in rural settlements in Manchuria. This figure is inclusive of wives and children.

This was a considerable achievement, but it fell far below the planned total of *100,000 families* which was the target set in 1936. The planned total would probably have proved impossible to achieve in any case, even had difficulties not arisen which the framers of the 1936 scheme did not anticipate. These adverse factors were due to the drain on Japanese man-power caused by the extension and the protraction of the conflict which began in north

[1] S. Inouye, op. cit., p. 14.



China in July 1937. They also developed in consequence of Japan's general war preparations, which were intensified in consequence of the international repercussions of the 'China Affair'.

One result of this situation was to create a scarcity of rural labour in Japan where there had previously been a surplus. Many intending to emigrate were conscribed into the armed forces instead.[1] Opportunities in the expanding war industries caused a rapid acceleration of the exodus from country to town, and

[1] 1 £,000 would-be emigrants were conscribed into **the** Army in 1937-8. *S.M.R. Sixth Report on Progress in Manchuria,* 1939, p. 123.

drained off the available male and female field hands. Consequently, the mass emigration scheme came under fire from critics in Japan, who pointed out with some force that its continuance would seriously impair Japanese agricultural productivity and so weaken Japan's war effort. However, the proponents of the emigration plan countered this by declaring that the amalgamation of uneconomic smallholdings into larger units, combined with improved methods of cultivation and technical aids, would ensure greater productivity even with lesser man-power. They urged that the existing national emergency made it all the more necessary to push on with this rural reformation in Japan, and to get rid of the sub-marginal farming households by means of emigration to Manchuria. They furthermore declared that the basic policy of a 'new order' in East Asia and of aJapan-'Manchukuo'-China political, ideological, and economic bloc, would be materially assisted by die fulfilment of the emigration plan. So, after further conferences in Tokyo and in Hsinking, what was called a 'Basic Outline of Colonization Policy' was promulgated in July 1939.

The preamble to this declared that both Governments were agreed that colonization should be carried out with die object of strengthening 'Manchukuo' as a vital part of the proposed 'new order' in East Asia. So colonization policy should be formulated in such fashion as to make Japanese colonists the nucleus of all schemes for new settlement; to promote closer tics between Japan and 'Manchukuo', to strengthen common defence, to assist in the industrial development of the country, and to promote agricultural improvement in both countries. The Outline for the most part reaffirmed the methods of colonization and training schemes which were already in operation, though it also made provision for Japanese immigrants who wished to enter into industrial, as distinct from agricultural, pursuits. Detailed regulations were laid down for the gradual evolution of the agrarian settlements from an initial communal and collectivized character to an individual family economy on a basis of private landownership, and for their adaptation to the administrative and economic pattern of their new country.

The eighty-nine settlements of mass colonists which had been established up to January 1940, were distributed among the 'Manchukuo' provinces in the following proportions: Sanchiang 26, Pinchiang 16, Peian 15, Tungan 14, Lungchiang 7, Kirin 6, and Mutanchiang 5. They thus formed a screen covering the eastern and north-eastern approaches to the heart of 'Manchukuo', and a map of their geographical distribution shows clearly their primary-strategic significance.[1] The 'free* colonists were more scattered over the centre and south of the country.

The importance attached by the Japanese Army to the strategically-planned rural settlements in Manchuria ensured their continuation and extension even after the outbreak of the Pacific War. According to Japanese official reports, in 1942 the number of groups and sub-groups rose to 573, with a total of 146,000 settlers who were cultivating 416,000 acres of land. During the following year seventy-six fresh settlements of mass colonists, with some 20,000 inhabitants, were established. By the end of 1943 *it* was reported that the number of youth volunteers had risen to 65,000, although some of these were employed in industrial, as distinct from agricultural, pursuits. All told, there were in Manchuria in 1944 an estimated total of 220,000 Japanese rural settlers. Some of them appear to have survived the Soviet invasion and the downfall of 'Manchukuo' in 1945, but since they are isolated and cut off from their homeland, it would seem that they must eventually be either destroyed or assimilated.[2]

It remains to consider how far the settlements effected during 1932-44 provided incontrovertible proof diat die Japanese could successfully colonize Manchuria, as Japanese publicists triumphantly averred. This may appear a very academic question at a time when Manchuria has passed from Japanese possession. However, future Sino-Japanese collaboration in Manchuria is not entirely inconceivable, although it would be on a very different basis from that put into force in 1931. Thus, the question of Japanese settlement in Manchuria might again be mooted by a Japanese Government trying to alleviate the manifold economic and social stringencies which afflict post-war Japan.

First and foremost it must be stressed that this Japanese colonization was of a highly exotic character, and would never have succeeded but for being very heavily subsidized in every way. To take a typical example the fifth group of mass colonists, located in Sanchiang in 1937, was provided with 20 cho of land per family, on the basis of 1 cho for paddy (wet rice) fields, 9 cho for dry

[1] See map of Japanese settlements. [2] See Chapter XII, p. 236.

farming, 9 cho for pasture land, and 1 reserved for farm buildings. The paddy field was prepared in advance by the Manchuria Colonization Company. Each household got an initial subsidy of 960 yen and could in addition borrow up to 900 yen, the loans being repayable in annual instalments over a period of from five to twenty-five years. The colonists were given five years' grace before beginning to repay the sums advanced them by the government to cover their initial expenses or to contribute financially for the educational and other services which it rendered them.[1]

The second essential prerequisite was the employment by the Japanese colonists of Koreans[2] and to a lesser degree, of Chinese, cither by hiring them as labourers, or by renting lands to them. Such aid was essential in the first struggling years of the settlements and the 'Manchukuo' authorities furthered it by drafting such labour to the settlements and by providing subsidies for its payment. But this method had two drawbacks; the first being the probable inability of the settlers to go on employing such labour after the period of State subsidies came to an end, and the second, and more important, the danger of the Japanese becoming a landlord class, employing Korean and Chinese farmers, instead of cultivating the lands themselves. From the standpoint of the Kwantung Army this would materially reduce the value of the military contribution which it expected from the settlements, because there was no guarantee that the tenants and labourers might not turn on their masters once an opportunity to do so was afforded them.

This was a development rather analogous to that which occurred in the case of the English and Scottish plantations' in Ireland during the Tudor and Stuart periods. The intention was to remove the native Irish and replace them by solid blocks of English settlers, but, except to some degree in the case of Ulster, things did not work that way, because the English settlers always found it cheaper and more convenient to utilize Irish labour, or to rent their holdings to Irish tenants. Thus, instead of the solid English farming population envisaged by die advocates of the plantation policy, there developed an English landowning minority in the midst of a mass of native tenants, and the landlords either became thoroughly Hibernian in outlook, or else were absentees from their estates, living in English society on their Irish rent-roll. It

[1] Kirby, op. cit., p. 75.

[2] 'Every settlement of Japanese immigrants has found some Koreans to have preceded it in the locality selected'. ibid., p. 71.

looks as if, *mutatis mutandis,* something of a similar kind would have evolved in Manchuria had the Japanese settlements continued. Perhaps such a development may always be expected when an attempt is made to colonize an area already occupied by people engaged in generally similar, and therefore competitive, pursuits and of a lower standard of living.

The Japanese authorities were alive to the danger and discerned a likely remedy in the adoption of mechanized farming, which it was hoped would cheapen production, lessen the arduous toil involved in manual labour on the farms, and enable the colonists to dispense with Korean labour. Some Japanese farmers in Hokkaido, where a partly mechanized dry farming had been long carried on, were brought over to teach the colonists the new methods. During 1939-40 they were given lands in the settlement areas in which to demonstrate the benefits of mechanization, and highly successful results were claimed. But some formidable obstacles presented themselves. As very little agricultural machinery was used in Japan, she lacked the facilities for producing it, and also the foreign exchange to purchase it. The capital cost of such machinery, which the settlers obviously could not afford, would have been an additional burden on the government in the initial years of the settlements. The Japanese colonists were wholly unfamiliar with such mechanized aids, and while time and patience might have weaned them from their traditional hand methods, their fifty acre holdings were too small to make large-scale mechanization economically profitable. It does not seem likely that, even had no war occurred, a colonization planned on the basis of the traditional Oriental methods of cultivation could have been altered, except with painful slowness, *to* suit a modernized type of farm, even if the term 'mechanized agriculture' be used in a very relative sense.

Thus we may reasonably conclude that unassisted Japanese immigration and settlement on the land in Manchuria, on the same basis as the Chinese, would be a complete failure, owing to the vast differences in geographical and climatic features between Japan and Manchuria, and to the capacity of the Chinese farmer to 'underlive* all competitors, with the exception of the Koreans.

CHAPTER VI

The Development of Communications and Transport

THE history of Manchuria since 1895 has been, in the main, one of international rivalries over the construction and operation of railways and ancillary enterprises. A brief survey of the sequence of events will facilitate an understanding of the situation which confronted the Kwantung Army when it seized control of the country in 1931. The period of foreign financed and managed railways in Manchuria was inaugurated by Imperial Russia; in this the Tsarist Government was animated by both strategic and political motives. In the first place the Russian Government desired to extend the Trans-Siberian Railway across northern Manchuria to Vladivostok in order to secure a shorter route to that naval base than would be afforded by a line running nordi of the Amur River. Count Witte, the Finance Minister, had visions of Russian penetration of Manchuria and northern China through the agency of railways and banks, whereas General Kuropatkin, the Minister of War, and other military and naval leaders, were thinking more in terms of territorial annexation and the occupation of ice-free ports on die shores of die Yellow Sea. The Russian opportunity came after the defeat of China by Japan in 1894-95, which was followed by the intervention of the Dreibund to compel Japan to rctroccde the portion of Fengt'ien which she had exacted from China by the Treaty of Shimonoseki. Li Hung-chang, the leading Chinese statesman of the day, turned to Russia as a potential ally against an aggressive Japan, despite the danger of evading the jaws of the tiger only to fall into the clutches of the bear. Russian expansion in the Far East was largely backed by French finance, in part, because of the Franco-Russian alliance in Europe and of die general working accord between the two countries in the colonial and Far Eastern spheres, where they had a common enmity to Great Britain; in part, because the growth of communications and large-scale industry in the Russian empire provided lucrative opportunities to the French investor.

In 1896, when Li Hung-chang was in Moscow to attend the coronation ceremonies of Tsar Nicholas II, he was persuaded by

Witte to conclude a secret treaty of alliance against Japan. By the first Article of this Li-Lobanov secret treaty of 3 June 1896, the two Powers agreed that if Japan committed any act of aggression against either China, Korea or the Far Eastern possessions of Russia, China and Russia would wage joint war against her and conclude peace in common. By Article IV of the Treaty the Chinese Government gave Russia the right to build a railway across northern Manchuria to Vladivostok for the expressed purpose of facilitating Russian troop movements to the Far East in the event of war with Japan. In the following September a contract between the Chinese Government and the Russo-Chinese Bank, an organization under the control of the Russian Ministry of Finance, but supplied with French capital, provided for the establishment of the Chinese Eastern Railway Company which was to construct the line and to have sole and exclusive rights of operation and of administration over die lands necessary for the construction, operation, and protection of die railway.[1]

In March 1898, the Tsar's naval and military advisers persuaded him to demand from China a lease of the southern part of the Liaoning Peninsula, and the right to construct a branch line to connect Port Arthur with the Chinese Eastern Railway *on* the same terms as those accorded in the original railway agreement of 1896. Witte always denounced this move as shattering the political accord of 1896 and, in effect, negating the secret alliance, which indeed never became operative. He asserts in his Memoirs that Li was bribed to consent; however, there was no possibility of successful Chinese resistance to the Russian demands.

By 1903 both the main and branch lines of the C.E.R. were completed and opened to traffic, a feat which constituted a very considerable achievement on the part of the Russian engineers. It was a single-track line, of the Russian five-feet gauge; the main line was 924- 7 miles in length, and the branch line from Harbin to Port Arthur 617 miles long. Thus by 1904 the Russians had built over 1,500 miles of railway in Manchuria and had also founded the modern cities of Harbin and Dalny. They developed

[1] The Russians interpreted this loosely-phrased Article VI as giving them the right to station troops along the line and to organize Russian-controlled municipal regimes. However, this interpretation was in conflict with Article V of the agreement which placed on the Chinese Government the responsibility of protecting the railway. Chinese protests were in vain before 1917, and Japan claimed the same rights as devolving on her after the transfer to her of the southern section of the railway in 1905.

Port Arthur as a naval base for their Pacific Fleet, but selected Talien (Dalny) as the site for what they intended as the main commercial port. They spent over 30 million gold roubles in laying out a modern planned city, in constructing piers, breakwaters, and wharves, and in dredging the harbour. They had not, however, got beyond the initial stages of the work, when it was interrupted by the outbreak of war with Japan.

The Russo-Japanese War of 1904-05 resulted in the expulsion of Russia from Southern Manchuria and in the transfer to Japan, by tlie terms of the Treaty of Portsmouth of September 1905, of die leased territory in the Liaotung Peninsula and of that part of the C.E.R. which extends from Port Arthur to Ch'angch'un. Russia thus retained the main C.E.R. line and tlie branch from Harbin to Ch'angch'un. Between 1905 and 1917 the Russian Imperial Government, wliile continuing the development of Harbin and securing municipal control there by agreements with the principal foreign Powers, did not attempt fresh railway construction in Manchuria. The Russians worked in concert with their former enemies, the Japanese, in preventing American projects for the neutralization of the Manchurian railways, and for the construction of a new line from Cliinchow to Aigun. hi 1916, a preliminary agreement was reached with Japan for the sale to her of the Ch'angch'un-Harbin section of the C.E.R., but this never became operative owing to Chinese opposition and to tlie outbreak of the Russian Revolution.[1] Following that Revolution the C.E.R. came under the control of 'White' Russian elements hostile to the Soviet Government, while from 1919-22 an Inter-Allied Technical Board exercised general supervision over it during the period of operations against the Bolshevists in Siberia, hi 1910 the Russo-Asiatic Bank was organized to succeed the Russo-Chinese Barik. After the Russian Revolution the Russo-Asiatic Bank was reorganized in Paris under the auspices of the French Government, and in 1920 it concluded an agreement with the Chinese Government for the future management of the line, but the Soviet Government always refused to recognize the validity of this agreement. The Chinese authorities in Manchuria, working with a 'White' Russian technical staff, exercised *de facto* control until 1924. By the Sino-Soviet Agreement of 31 May 1924, concerning

[1] C. Walter Young, *The International Relations of Manchuria* (Chicago, University of Chicago Press, 1929), p. 17411.

the C.E.R. and by the Soviet agreement in the following September with the Mukden (Chang-Tso-lin) regime, a Sino-Soviet Board of Directors was established, and also a joint managerial board. But die latter was headed by a General Manager, who, as in the past, was a Russian subject and who, in fact, exercised controlling powers. The Soviet Government, however, gave up the claims to troop protection of the line and to the administrative rights, including that of taxation, in the railway towns, which had been exercised by the former Tsarist regime.[1] Continued friction between the Cliinese authorities in Manchuria and the Soviet officials of the C.E.R., especially after 1925, led to the Sino-Soviet conflict of 1929, in which the Manchurian authorities seized control of the line, but were forced to restore the *status quo* by a temporary Soviet military intervention.

The portion of the C.E.R. transferred to Japan by the Treaty of Portsmouth and the Sino-Japanese Agreement of December 1905, was in a very dilapidated state and the Japanese Government, in view of Japan's financial difficulties after the war of 1904-05, for a while considered selling the railway to the American railway magnate, E. H. Harriman. But they decided against this course, with fateful results both for China and Japan, and in 1906 organized the South Manchuria Railway Company, the first of the great semi-official companies organized to promote Japanese economic and political interests on the Asiatic continent. The Japanese Government appointed the President and Vice-President and owned half the shares, turning over to the Company the ex-Russian railway and mining assets in south Manchuria as the Government's half of the initial capital subscription of 200 million yen. The remainder was subscribed chiefly by the great Japanese industrial and commercial houses. The articles of incorporation entitled Chinese nationals to become shareholders, but few, if any, ever did so. The South Manchuria Railway Company was in effect a Japanese Government agency for the furtherance of Japan's 'mission* in Manchuria. It suffered somewhat from lack of continuity in policy owing to frequent changes in its Presidents and Vice-Presidents because of the vicissitudes of internal Japanese politics. However by 1932 it had grown into a vast corporation with multifarious activities, its capital had been increased to 440 million yen, the

[1] *Treaties and Agreements With and Concerning China,* 1919—29 (Carnegie Endowment for International Peace [Concord, N. H., Rumford, 1929]), pp. 141-4.

Japanese Government preserving their half interest, its property was valued at some 200 million yen, and it had 170,000 employees.

By 1932, the Company had practically completed its primary task, the reconstruction and double-tracking of the Port Arthur-Dairen-Ch'angch'un line. It had also reconstructed and modernized the 161-mile Antung-Mukden line, which the Japanese had originally built as a light military supply line. The S.M.R. connected it with the Korean railways by a bridge over the Yalu, thus affording a through rail and steamer service between Japan Korea, and Manchuria, and via the C.E.R. and Trans-Siberian Railways, with Europe. The Company had built large railway workshops, especially one on the outskirts of Dairen, where most of its rolling stock was constructed, as well as a good deal for the Korean and Chinese railways. It had almost quadrupled the number of locomotives, passenger coaches, and freight wagons on its railways. Freight traffic had grown from 1•3 million tons in 1907-08 to 18* 5 million tons in 1929-30, and the number of passengers transported had risen from 1 • 5 millions to 10-4 millions.[1] The Company had executed and enlarged on the Russian plans for Dalny (Dairen), laying out a large modem city and constructing ber tiling, cargo-handling, and warehousing facilities on a scale which by 1931 had made Dairen into one of the leading ports and commercial centres in the Far East, and one which was exceeded only by Shanghai in the volume of its foreign trade. The S.M.R. had also built numerous towns in the railway zone for the housing of its employees and of the trading population winch grew up around them. These were modern planned settlements provided with up-to-date sanitation, waterworks, gas, electricity, and transport utilities.[2]

The authors of the Lytton Report pointed out that, while the S.M.R. had contributed much to the economic development of Manchuria, its policy had been to finance only the construction of such Chinese lines as could be connected with its own system and which could, by means of through traffic agreements, be utilized to divert the major part of the freight to Dairen. It expended large sums on financing certain lines of doubtful economic value, while endeavouring to prevent the construction of any lines which it

[1] *S.M.R. Third Report on Progress in Manchuria,* 1932, p. 115.

[1] The work of the S.M.R. in the educational and industrial fields is treated in the chapters on these subjects.

regarded as competitive.[1] This aspect of its activities tended to distort or to hinder the growth of an adequate communications system. The chief examples of these 'feeder' lines were the Ssup'ingkai-T'aonan-Angangch'i railway, completed in 1926, and by agreement with the Chinese Eastern Railway, extended to Tsitsihar in 1928; and the Ch'angch'un-Kirin-Tunhua line, which the Japanese were anxious to extend to T'umen and to connect up with the North Korean ports, so as to provide a shorter strategic route from Japan to Manchuria via the Japan Sea and North Korea.

Confronted with this politico-economic Japanese railway monopoly in South Manchuria, the Chinese strove *to* break it by building a competitive system of their own. The first Chinese-owned line in Manchuria was the Shanhaikuan-Newchwang Railway, with a connexion to Hsinmint'un; this was financed by British capital and built by the British and Chinese Corporation. A line from Hsinmint'un to Mukden was built by the Japanese during the Russo-Japanese War; this line was purchased by the Chinese Government in 1908. Thus the Chinese State Railways secured through communication from Peking to Mukden. Between 1924 and 1931 the Chinese authorities in Manchuria financed and constructed some 800 miles of railways designed to compete with both the C.E.R. and the S.M.R. In particular they intended to draw traffic away from the main line of the S.M.R. and the port of Dairen, and to attract it to Newchwang and to the potentially rival port of Hulutao. Here, modernization work was undertaken by a Dutch engineering company in 1930, though it had not got very far by the time of the Japanese seizure of control in Manchuria. The chief new Chinese built railways were the Tahushan-T'ungliao line, completed in 1927, which connected with the Ssup'ingkai-Angangch'i line and so converted that into a feeder of the Chinese system; and the Mukden-Kirin line, which paralleled the S.M.R. on the east, and connected with the Peking-Mukden line at the latter city. The Chinese made through traffic arrangements over all parts of their railway system and refused similar arrangements between their lines and those of the S.M.R. Both parties indulged in a rate-cutting war, in which the Chinese had the advantage owing to the fall in value of the Chinese silver currency, which made the silver rates on their lines cheaper than the gold rates

[1] *Lytton Report*, p. 43.

current on the S.M.R.[1] Thus, in September 1931, while the total length of railways in Manchuria had risen to over 3,600 miles, they were divided into three mutually hostile systems; the Sino-Soviet, actually under Soviet control, totalling 1,096 miles; the Japanese, totalling about 700 miles, and the Chinese, which came to 1,900 miles, including those which were built and financed by the Japanese but which were under Chinese ownership. Whether the plans of the Mukden regime to extinguish foreign railway rights by economic pressure through competitive railways would ever have come to full fruition is doubtful, in view of the inferiority of Newchwang and Hulutao to Dairen in their natural facilities as ports, and of the difficulties of adequate upkeep and management on the Chinese railways. The continuance of cut-throat competition and the lack of any unified railway system was threatening to retard the further development of the country. As has been observed, the bitter feelings aroused *on* both sides combined with the resurgence of militarism in Japan to produce the *coup d'etat* of September 1931, and the overthrow of Chinese authority in Manchuria.[2]

By 1933, the Japanese Kwantung Army chiefs had completed their conquest of the main cities and communication lines and had established the 'Manchukuo' administration; they were thus free to reorganize and extend the railway system in accordance with their concept of the purposes which it should serve. They had been prompt in seizing the Chinese-owned railways, installing Japanese technicians, and co-ordinating the freight rates with those of the S.M.R.[3] Their primary objectives were strategic. If Japan were to hold her newly won empire, as in reality it was, she must provide it with a network of lines which would enable her to move troops swiftly to guard the frontiers and so cover the industrial and agricultural heart of the country. Her most dangerous potential foe was die U.S.S.R., which, although at the moment in no position to take overt action against her, clearly regarded her penetration of northern Manchuria and advance to the Amur with alarm and irritation, as both an unwarranted intrusion into the former Russian sphere of influence and as a possible

[1] *Lytton Report,* pp. 47-9.
[2] See Chapter II.
[3] *Lytton Report,* p. 96. The Japanese military authorities controlled the railways until March 1932 when they were nominally handed over to the 'Manchukuo' Ministry of Communications.

menace to the Soviet Far Eastern territories. So it was essential for Japan, whether for offensive or defensive purposes, to construct railways in northern and eastern Manchuria which would enable her to concentrate her armies along the Amur and Ussuri Rivers. There was a similar need in the north-west in view of the Soviet domination of Outer Mongolia. Japan had little to fear from China, in its divided and still largely chaotic state, but the Kwantung Army already had visions of further expansion into Inner Mongolia and North China and needed railways in Jehol to further this purpose.

Closely associated with the strategic design was the politico-economic object of drawing traffic from the Chinese Eastern Railway and Vladivostok to the South Manchurian Railway system and to Dairen. This would serve both to enhance the profits of the S.M.R. and to induce the U.S.S.R. to sell the C.E.R. to Japan, thus giving her complete control over all Manchurian lines.

In the third place, the railways were planned to further the Japanese purpose of making Manchuria into a centre of heavy-industry as a continental war base; in particular, to foster the growth of the essential prerequisites for such a base, namely, the production of coal and of iron ore. It should be observed that the railways built in northern and eastern Manchuria also fitted in with the Japanese Government's ambitious plans for large-scale group settlements of Japanese colonists in these regions.[1]

On 9 February 1933, a contract was concluded between the 'Manchukuo' Government and the S.M.R. Company, by the terms of which the total financial obligation of the existing Chinese railways in Manchuria to the S.M.R. was fixed at 130 million gold yen. This sum was secured on the property and receipts of the Chinese railways, which were entrusted to the management of the S.M.R.[2] Provision was made for the payment of British bondholders from the receipts of the Shanhaikuan-Newchwang line. At the same time, the 'Manchukuo' Government gave the S.M.R. Company the contract for building the Tunhua-T'umen, Lafa-Harbin and Taitung-Hailun lines at a cost of 100 million gold yen. On 1 October 1933, the Japanese Government-General in Korea turned over to the S.M.R. the north Korean railways so as to

[1] See Chapter V.
[2] *S.M.R., Fourth Report on Progress in Manchuria,* 1934, p. 185. These favourable terms were modified in 1939, owing to the burden on 'Manchukuo' finances. K. Bloch 'Manchurian Railway Difficulties', *Far Eastern Surrey,* November 1941, pp. 263-4.

facilitate the connexion of the King-T'u (Kirin-T'umen) line with the ports of Seishin, Yuki, and Rashin. The S.M.R. established a General Directorate in Mukden and a Superintending Bureau in Seishin for the co-ordination of the transport facilities placed under its control.

The construction of a railway from Kirin to Tunhua, with connexion from the latter town to the north Korean railways at Kwainei (Huining) had been a major controversial issue between the Chinese and Japanese authorities. The Kirin-Tunhua section, financed by the Japanese and built under the direction of Japanese engineers, had been completed in 1928, and in May of that year the Japanese had secured a contract for the building of the Tunhua-T'umen section. This they had obtained from the Ministry of Communications of the Peking Government, then under the control of Marshal Chang Tso-lin, but after his death, his son, Marshal Chang Hsueh-liang, declared that the contract had been obtained under duress and was irregular in form and lacking ratification, so he refused to permit its execution.[1] After their seizure of Manchuria the Kwantung Army chiefs lost no time in completing this all-important strategic route. The construction of the Tunhua-T'umen section was begun in May 1932. The railroad was completed in May 1933 and was formally opened to traffic in the following September. There was thus provided a shorter route between Japan and the heart of Manchuria than the pre-existing ones via Fusan or Dairen. From Tsuruga across die Japan Sea to the north Korean port of Rashin and thence via Kwainei, T'unien and Kirin to Hsinking was some 400 kilometres shorter than the route via Dairen *to* the 'Manchukuo' capital. Furthermore, in June 1932, the Japanese began building a railway from Lafa, situated on the Kirin-Tunhua line about halfway between those two places, to Harbin, and this they completed in January 1934. They then had a direct route of their own to Harbin, flanking the Hsinking-Harbin section of the C.E.R. and intersecting its main route at Harbin.[2]

The Chinese administration in Manchuria had by September 1931, built a railway from Sungp'u, on the Sungari opposite Harbin, through Hulan to Hailun, in Hcilungchiang Province, and another from Tsitsihar to K'oshan, with a branch from

[1] *Lytton Report,* pp. 46-7.

[2] 'A Historical Outline of the Development of Manchurian Railways'. *Contemporary Manchuria,* Vol. Ill, No. 3, July 1939, pp. 47 ff.

Ningnienchan (Taian) to Laha. The Japanese during 1932-33 built a steel bridge over the Sungari connecting Harbin with Sungp'u and the Haifan line, and extended that line northwards to Peian. They also built a railway linking Peian with Taian, and extended the Taian-Laha line to Noho. In June 1933, they began to construct a line from Peian across the lesser Khingans to Heiho on the Amur opposite Blagovestchensk; this line of over 300 kilometres presented formidable engineering problems and was not finished until February 1935. They also, in the summer of 1933, began to build a line in eastern Manchuria, from T'umen northwards to Mutanchiang, on the Chinese Eastern Railway, and beyond that place to Link'ou; this was completed in the summer of 1935.

The strategic and economic significance of all this railway building was not lost upon the ever-vigilant Government of the U.S.S.R. They perceived that upon the completion of these Manchurian lines the Japanese would be *in* a position to move troops quickly to sever the C.E.R. at Tsitsihar, Harbin and Mutanchiang, thus rendering it quite useless as a means of communication between Manchuria and Vladivostok. From the economic standpoint the new lines were meant to act as feeders of the main S.M.R. system, so as to drain off the bulk of the wheat and soya bean export surplus of North Manchuria from the C.E.R. and Vladivostok to Dairen and the north Korean ports, and *to* ruin the commercial value of the Russian line. The C.E.R. had already suffered much from this process. In 1913, 79 per cent of the total exports of northern Manchuria had been transported along the C.E.R. to Vladivostok, but after the Russian Revolution the C.E.R. share fell to a mere 13-2 per cent, the rest went via the S.M.R. to Dairen. There was some economic recovery by the C.E.R. after 1924, but it was again heavily hit by the building of the Ssupi'ngkai-Taonan-Tsitsihar line and its extension to K'oshan. The tonnage of freight carried on the C.E.R. fell from 740,000 tons in 1928 to 271,000 in 1931; it recovered to carry over 370,000 tons in the following year, but it was then faced with being cut into short sections which would be little more than 'feeders' for the growing 'Manchukuo' system.[1]

In this situation the Government of the U.S.S.R. thought it best to cut their losses and to dispose of the C.E.R. for the best terms they could get. According to Japanese sources the first

[1] 'Communications In North Manchuria'. *Manchuria,* August 1940, pp. 324-95.

proposal to sell the line was made by the Soviet Commissariat of Foreign Affairs to the Japanese Ambassador in Moscow on 2 May 1933. The Russians were indifferent whether they sold the line direct to Japan, or ostensibly to *Manchukuo\ but the Japanese Government preferred the latter course.[1] It is perhaps unnecessary to detail the long and wearisome haggling over the terms of the sale which ensued during 1933-35. The chief points at issue were the actual price, the method of payment, the question of a Japanese Government guarantee of the amount to be paid, and the terms on which the Soviet railway employees were to be retired. The negotiations which really counted were those between Mr Hirota, the Japanese Foreign Minister, and Mr Yurenev, the Soviet Ambassador in Tokyo. Agreement was finally reached in March 1935, and the Treaty was signed on the 23rd of that month. The U.S.S.R. sold its interests in the C.E.R. to 'Manchukuo' for 140 million yen, with a further 30 million as retirement allowances for Soviet railway employees. A third of the stipulated sum was to be paid in cash and the rest in goods, the Japanese Government guaranteeing the full payment. The Soviet Government retained their railway property at the frontier stations of Manchuli and Pogranichaya, and arrangements were made for the continuance of through traffic between the Trans-Siberian Railway and Vladivostok over the 'North Manchurian Railway', as the C.E.R. was now called. China protested unavailingly against the sale as being in contravention of the Sino-Soviet Agreement regarding the C.E.R., concluded on 31 May 1924,[2] while France also reserved the rights of her nationals who were shareholders in the C.E.R., but without getting any satisfaction. The S.M.R. Company, which took over the administration and operation of the line, lost no time in converting *it* to standard gauge. Thus the Japanese achieved their ambition of securing complete control over the Manchurian railways.

Between 1935 and 1940 the Japanese made substantial additions to their network of strategic railways in eastern and northern Manchuria. During 1935-36 they built a line running from Link'ou north-eastwards to Mishan and thence to Hulin, on the

[1] 'North Manchuria Railway Transfer Negotiations'. *Contemporary Manchuria,* Vol. I, No. 2, July 1937,pp. 42-3.

[2] 'The Governments of the two Contracting Parties mutually agree that the future of the Chinese Eastern Railway shall be determined by the Republic of China and the Union of Soviet Socialist Republics, to the exclusion of any third party or parties'. Article IX ($).

Ussuri River; this railway ran close to the Soviet border at Mishan and Hulin and enabled the Japanese both to cover eastern Manchuria and to menace Russian rail communications between Khabarovsk and Vladivostok. In 1937 a Une was constructed from Link'ou to Poli and Chiamussu on the Sungari in north-eastern Manchuria. This made it possible to move troops and supplies from the north Korean ports via T'umen to Chiamussu and the lower Sungari region. In 1938, a line was built fromWangching, which is situated twenty-five miles north of T'umen, and is on the T'umen-Chiamussu line, to Shihlip'in, forty-seven miles east of Wangching. In the following year a railway was built from Sui-yang, fifteen miles west of Suifenho, on the former C.E.R., to Tungning, twenty-five miles south of Suifenho. It remained to connect Shihlip'in with Tungning, in order to complete yet another strategic line facilitating Japanese troop concentrations in south-eastern Manchuria.

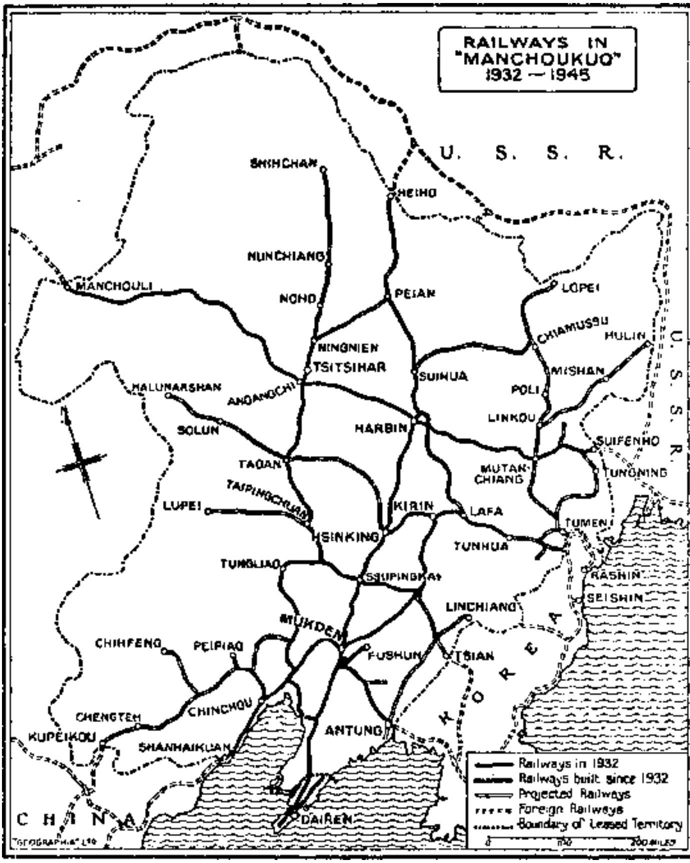
In northern Manchuria the Japanese during 1937 continued the line from Tsitsihar to Noho a further fifty-eight miles northwards to Nunchiang. They had, in 1935, completed a direct line between Hsinking and T'aoan (Paichengtzu), on the Ssup'ingkai-Tsitsihar railway, which gave them a more convenient route by which to move forces from Hsinking to northern and north-western Manchuria. In 1936, the Japanese, making use of some pre-existing Chinese building, completed a line from Paichengtze through Wangyehmiao to Sol un and thence over the Great Hsingan range to Halunarshan. This considerable engineering feat consolidated their hold upon the Mongols of this region and enabled them to concentrate troops in the Buir Nor and Nomonhan frontier zone, which was in dispute between Outer Mongolia and Manchuria. The Japanese intended to continue the railway from Halunarshan northwards to Hailar, on the former C.E.R. But after they had inflicted a severe defeat on the Japanese in the struggle around Nomonhan in the summer of 1939, the Soviet and Outer Mongol forces held positions very close to the route of the proposed railway. A boundary agreement which was arrived at in 1941, after protracted negotiations, appears to have confirmed the disputed territory to Outer Mongolia. Consequently, the Japanese did not think it advisable to undertake the line to Hailar, since its proximity to the border would have rendered it too exposed to attack in the event of war.

To facilitate communication with Jehol and the movement of troops via that province through the mountain passes into northern Hopei, the Japanese during 1933-36 built railways to connect Chcngteh, the Jehol capital, and Chihfcng, in northern Jehol, with Chinchow and Tahushan, on the Shanhaikuan-Mukden line. After their seizure of north China in 1937, they built a line from Chengteh to K'upeik'ou, on the *Manchukuo'-Hopei border. From this point another Japanese Une via Miyun made contact with the Peip'ing-Tientsin line.

In 1937 the Japanese forged an extra link between Manchuria and Korea in the shape of a railway which started from Mcihok'ou, a place situated on the Mukden-Kirin Une, twenty-seven miles south-west of Hailung, and ran to Tsian, on the middle course of the Yalu. At Tsian a bridge was built across the Yalu to Manpochin, which was the north Korean terminus of a line from Chinnanpo and Heijo.

Between 1931 and the end of 1939 the Japanese constructed some 2,650 miles of new railways in Manchuria and brought the total length of lines in that country up to 6,250 miles.[1] During 1940-44 they built a number of additional lines. In western Manchuria a line was constructed from Taip'ingchuan, on the Ssup'-ingkai-Tsitsihar railway, westwards for a hundred and twenty miles, to Lupei, in west Hsingan province just beyond the border of South Hsingan province. In northern Manchuria the Tsitsihar-Nunchiang railway was extended northwards to Shihchan, on the upper Nonni river, close to die border of Heijo Province. In north-eastern Manchuria the Japanese had in 1939 built a line running from Suihua, situated on the Harbin-Heiho line, sixty-five miles north of the former city, to Shenshu. This line was later extended to Lienchangk'ou, on the north bank of the Sungari, opposite to Chiamussu. Here a short stretch of privately-owned Chinese line ran northwards to the collieries at Hsinchangchen. This light railway was in 1939 purchased by the 'Manchukuo' Government and converted to standard gauge, while connexion was established between Lienchangk'ou and Chiamussu. Later the reconstructed Lienchangk'ou-Hsinchangchen Une was extended north-eastwards to Lopei, on the Amur. In south-eastern Man-

[1] In the five years ending 1938 **the** S.M.R. spent Y.800 millions, half of it on new railway construction, *japan-Manchoukuo Year Book* (Tokyo, The Japan-Manchoukuo Year Book Co., 1939). P- 744.



churia the connecting line between Tungning and Shihlip'in, mentioned above, was established.

In order to facilitate the exploitation of the coal and iron resources of the Tungpientao region the Japanese, in 1941, began the construction of a line from Linchiang, on the Korean border, via Tunghua, on the Meihok'ou-Tsian line, to Antung, whence a short line gave access to Tatung, where the Japanese were initiating an ambitious harbour development scheme. This line would have had a total length of some 230 miles and traversed some difficult country; it does not appear **that** the Tunghua-Antung section was completed.[1] Tungpientao coal and iron-ore went via Tunghua to Anshan and Penhsihu.

Most of the Manchurian lines are single-track, but the main S.M.R. lines between Dairen and Harbin and Antung and Mukden, were double-tracked. The Japanese were also working to double-track the North Manchurian line from Manchuli to Suifenho, and the T'umen-Chiamussu line. In 1943 they declared that there were 15,000 kilometres, or over 9,000 miles of railway in 'Manchukuo'; this figure may include the mileage of extra tracks on the above mentioned lines. They also built large sidings and warehouses in all the more important stations.

Their railway system included four routes from Korea into Manchuria, converging on Hsinking and Harbin, with numerous lines which radiated from those cities towards the Outer Mongolian and the Soviet border. They also had two rail routes between Manchuria and the rest of Cliina, to facilitate the transfer of troops and supplies between north China and Manchuria. They had in addition an inner ring of railways which furthered the concentration of their forces in Manchuria upon whatever part of the country might be menaced by invasion. The railways also enabled the Japanese to make headway against bandits and irregular resistance forces, especially in the mountain and forest regions of eastern Manchuria.

The railway network, while primarily strategic in design, made possible the intensive exploitation of the agricultural and mineral resources of Manchuria. The new lines in eastern Manchuria enabled the Japanese to tap the rich timber reserves and coalfields of that region and also provided a short haulage route to Korea and Japan. Similarly, the Linchiang-Tunghua line was put in hand to bring the high-grade iron-ore and coking coal to the iron-smelting works at Anshan and Penhsihu. In Chinchow Province the Japanese provided rail communication between the collieries at Peip'iao and Fuhsin and the port of Hulutao. The railway from Harbin to Lafa and Tumen traversed a rich agricultural district and provided a short route for the export of soya beans and other agricultural products via the north Korean ports to Japan. Thus the Manchurian lines, old and new, served two main economic purposes. They brought food and raw materials to the new

[1] According to *China Newsweek*, 27 February 1947, p. 4, there are no railways in northern Antung province.

industrial centres which the Japanese were creating, and they provided short routes for the export of foodstuffs, minerals and semi-finished goods abroad, mainly to Japan. The volume of goods and passenger traffic grew rapidly after 1936, when the country was largely pacified. The figures for the S.M.R. lines, and the *Manchukuo' State lines managed by the S.M.R. are as follows:

TABLB VI

FREIGHT AND PASSENGER TRAFFIC, 1933-37[1]

	S.M.R.		*STATE : LINES*	
Year (ending March 31)	*Freight (metric tons)*	*Passengers*	*Freight (metric tons)*	*Passengers*
1933-34	18,851,000	11,634,000	10,432,000	7,869,000
1934-35	21,670,000	13,780,000	11,873,000	8,815,000
1935-36	20,384,000	14,958,000	12,890,000	12,531,000
1936-37	21,370,000	15,750,000	17,146,000	14,706,000
1937-38	25,130,000	17,520,000	17,046,000	18,401,000

The totals may be exaggerated, however, because of through traffic being included in the records of each system, and so counted twice.

After the Japanese invasion of North China in the summer of 1937, the railways in China south of the Great Wall caused a heavy drain on locomotives and freight cars from Manchuria. The S.M.R. Company was required by the Japanese Army to furnish these and they underwent a high rate of loss and of wear and tear. This, together with the increase of traffic which resulted from the inception of the Five-Year Industrial Development Programme, caused a shortage of rolling-stock, especially of goods wagons. The S.M.R. had railway workshops at Dairen, Mukden, Hsinking, Harbin, and Tsitsihar. Of these, the largest and most important were those at Dairen, where over 5,000 workers were employed in the construction and repair of engines, railway trucks and carriages. To meet the difficulties caused by the shortage of rolling stock the S.M.R. proceeded to enlarge its existing workshops and to build new ones. Although Japan's stringent foreign exchange position limited her purchases of foreign, mainly American, machinery for the building of rolling-stock, a large expansion of railway workshops was effected in Manchuria

[1] *Japan-Manchoukuo Year Booh,* 1939, p. 743.

after 1937. In Mukden new workshops were built with a repair and productive capacity which equalled the Dairen works; the Dairen and Mukden works were the two chief centres for the building of engines and goods wagons. There were also imports of engines and rolling-stock from Japan and Germany. The S.M.R. was thus able to weather the crisis and to provide *facilities* for the greatly increased commercial and military traffic subsequent to 1937.

The S.M.R. Company was not concerned only with railway construction and operation; it was also given charge of harbour development, river steamer traffic and, indirectly, of motor transportation on the State highways; it could thus co-ordinate all the modern means of transportation by land and water. The improvement of existing harbours and construction of new ones was a matter as vital as was new railway building to the general Japanese schemes for the exploitation of Manchurian resources. Dairen of course remained by far the greatest distributing centre and focal point for Manchurian exports. Since 1911 the S.M.R. Company had executed successive programmes of harbour improvement, pier and wharf construction, and increased cargo-handling facilities and warehousing space. The harbour was dredged to give a depth of thirty-four feet at the entrance and from twenty-three to forty feet at the quaysides, and was protected by breakwaters of an aggregate length of 2- 9 miles. The former Russian pier was reconstructed and three new ones built, as well as wharves capable of accommodating over 330,000 tons of steam shipping at one time, and with equipment to handle 30,000 tons of cargo daily, or nearly 11 million tons annually. A separate coal pier was built at Kanchingtzu or Kanseishi, across the bay from Dairen, with a loading capacity of 12,500 tons per day. Dairen was also provided with warehousing and storage facilities for over 860,000 tons of goods and with a large dry dock for ship repairing. Shipbuilding yards, capable of constructing vessels of 8,000 tons, were reported in operation in 1943. The natural advantages of Dairen lie in the short sea passage to it from North China, Korea, and Japan and its connexion by the most direct rail route with the agricultural and industrial heart of Manchuria; as well as in its sheltered and virtually ice-free situation. These combine with the extensive developments begun by the Russians and expanded by the Japanese to give it a secure position as the chief maritime centre, a pre-eminence which it is unlikely to lose, even though the growth of other ports, created to serve the particular needs of outlying portions of the country, may cause some relative decline in the proportion of the total Manchurian foreign trade passing through the port, much as has been the case with Shanghai.

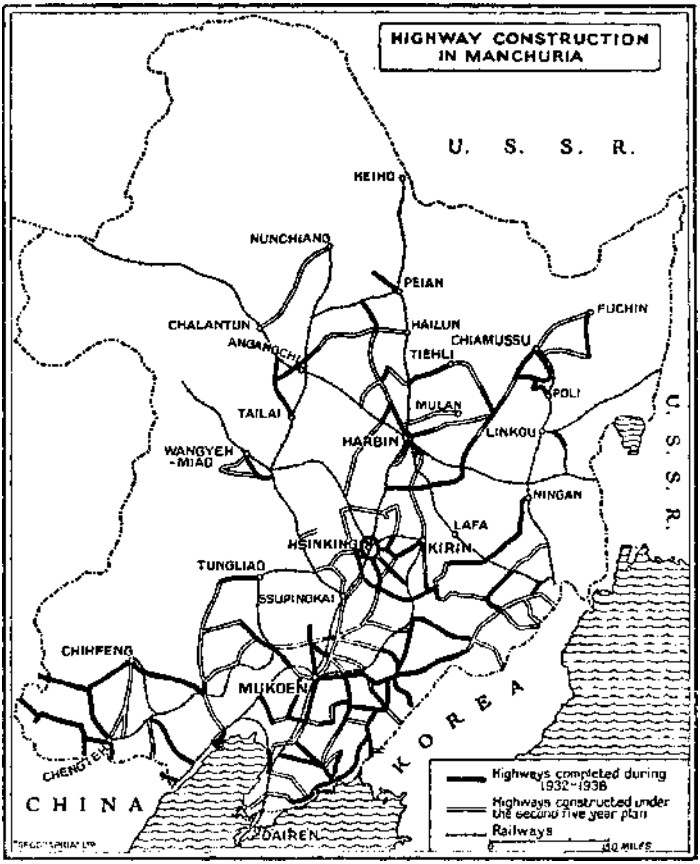
Of such other ports, the Chinese had in 1930 begun the development of Hulutao, which they hoped to make a rival of the Japanese-controlled Dairen. Hulutao, situated on the eastern shore of the Gulf of Liaotung some fifty miles south-west of Newchwang, has the natural advantages of a harbour of good depth in a sheltered position. As is the case with Dairen, icebreakers can keep the harbour open throughout the winter. The Netherlands Harbour Works Company in 1930 undertook a five-year port development programme, which included the building of some 5,000 feet of breakwater, three quays, and a berthing pier, as well as further deepening of the harbour area. This would have provided a harbour and port facilities, which, although considerable, would not have compared with those at Dairen. The work was interrupted by the Japanese seizure of Manchuria, and after the establishment of 'Manchukuo', harbour developments at Hulutao were handed over to the S.M.R. Company. The S.M.R. developed Hulutao as a port for coal shipments from the Cliinchow region and from the Peip'iao mines in Jehol. They thus fitted it into their general development schemes for Manchuria, while they prevented it from being a source of harm to the prosperity of Dairen.

Of the other Manchurian ports, Yingkow (Newchwang), situated twelve miles up the Liao River, is handicapped through being ice-bound in winter, through the sand-banks at the mouth of the river, and its shallowness except during the flood season. Antung, twenty-five miles from the mouth of the Yalu, suffers from similar disadvantages and can be reached only by small steamers. The Japanese in 1939 began the construction of a great modern port at Tatung, at the mouth of the Yalu, this would have taken eight years to complete and was intended primarily as an outlet for the mineral resources of the Tungpientao region. They had by 1945 constructed a pier, with facilities for ocean-going vessels, and had connected Tatung by rail with Antung.

With the construction of the Hsinking-T'umen and the T'umen-Chiamussu lines, the north Korean ports of Rashin, Seishin, and Yuki became the chief outlets of the foreign trade of eastern and north-eastern Manchuria, in addition to that of North Korea itself. By far the best of the three is Rashin, which grew from being a mere village of 500 people in 1927 to a bustling port of 26,000 inhabitants a decade later. It possesses a natural harbour, with thirty feet depth, sheltered on three sides by mountains and protected by two islands at the harbour entrance. The Japanese by 1940 had built three piers and wharves with a cargo-handling capacity of 3 million tons per year, and were engaged on further port development plans to increase this capacity to 9 million tons. A railway was constructed to Yuki, fifteen miles distant, whence rail connexion was made with Kwainei and T'umen. Yuki itself has very limited harbour facilities, and is used chiefly as a lumber exporting centre. Seishin, which is the most northerly of the trio, underwent harbour development which raised its annual cargo-handling capacity to 900,000 tons, but its natural advantages are inferior to those of Rashin, though far m advance of those at Yuki. The Japanese estimated its maximum potential capacity at not more than 2 J million tons per annum.[1]

These railway and port facilities took the primary place in the carriage of goods, especially of constructional materials for the Japanese programmes of industrialization and city building, as well as of Manchurian exports of raw and scmi-processcd materials. The inland waterways and roads were treated as auxiliaries to the railways, and river steamer traffic together with automobile transport were placed under the supervision of the General Directorate of Railways. River steamer traffic, chiefly on the Sungari River, underwent some expansion between 1933 and 1940, but it was clearly regarded by the Japanese as of minor importance as compared with the railways. The railways were far more profitable because they could operate the whole year round, in contrast to steamers which had to be laid up for almost half the year when they earned nothing, although wage bills for their crews continued.[2] More could be made of inland navigation in Manchuria if a comprehensive scheme of river improvements were put in hand, but the S.M.R. Company, which was not unnaturally thinking chiefly in terms of railway transport and had many calls upon its financial and technical resources, did little in this direction.

[1] *Japan-Manchoukuo YearBook,* 1935, p. 694, ibid., 1939, pp. **741-1.**
* *The Far East YearBook,* 1941, p. 793.



In contrast to their relative indifference to rivers, the Japanese did undertake a comprehensive scheme of road building. In 1932 there were over 36,000 kilometres of roads of varying utility in Manchuria; apart from improvements to these, the 'Manchukuo* State Highways Bureau initiated a five-year road-building programme in 1932; this provided for the construction of 9,800 kilometres of State highways and of twenty bridges. They did not quite achieve the target figure for roads; 8,992 kilometres of roads were actually completed during the first five years. A second five-year road plan, inaugurated in 1937, called for a further 13,268 kilometres of roads and an additional thirty-seven bridges. By the end of 1940 Manchuria had 26,800 kilometres of motor roads, of which 19,200 were national roads.[1] The term 'motor road' must not be taken to imply an autobahn except in the case of the Dairen-Harbin highway and the military roads radiating from Hsinking to other main cities. The others were dirt roads with a levelled surface, similar to those built in the parts of China remaining under the control of the Chinese National Government. These roads were constructed by coolie labour using relatively primitive implements, and were subject to rapid deterioration. All the principal Manchurian cities were linked by main roads, with auxiliary routes to penetrate the country districts. The roads were designed to supplement the railways for both military and commercial purposes. Motor traffic for passenger and freight carriage was run by the General Directorate of State Railways on the major highways; private companies being free to operate on the lesser ones. The State-controlled lines did the great bulk of the automobile carriage business.

hi September 1932, the Manchurian Aviation Company was organized as a semi-official concern, with an initial capital of 3 • 8 million yen, which was increased in 1939 to 30 nnllion yen. By 1940 there were over 16,000 kilometres of air-lines in operation, with regular services between the principal cities, as well as between Manchuria and North China and Manchuria and Japan, both via Dairen, and after 1940, direct from Tokyo to Hsinking across the Japan Sea. At the end of 1939 the aerodromes were transferred to the 'Manchukuo' Department of Communications, ostensibly for greater navigational safety, but since the Japanese Kwantung Army were the manipulators of the 'Manchukuo' Government, probably to facilitate their use for military purposes, in addition to the regular army airfields.

In March 1933, an agreement was concluded between the Japanese Government and that of 'Manchukuo* for the establishment of the Manchuria Telegraph and Telephone Company. This official concern was given the control and management of all

[1] *The Far East Year Book,* 1941, p. 788. In 1939a three-year defence programme for the frontier region was put in hand, which included the construction of many fresh roads, especially in the Hsingan provinces and in the regions of northern and eastern Manchuria adjacent to the U.S.S.R. So all told there were probably something like 70,000 kilometres of roads which could be used by motor traffic at the end of 1941. *Manchuria,* 1 June 1939, pp. 1201-2.

telecommunications both in 'Manchukuo' and in the Kwantung Leased Territory, with the exception of electrical communications belonging to the military, the police, and the railways. The Company was also entrusted with the management and development of wireless and broadcasting stations.[1] The Company put in hand a five-year programme of expansion, which was followed by another, as part of the Industrial Development Plan. The work was hampered by a shortage of copper, but, nevertheless, the telegraph lines had increased from a total length of 12,370 kilometres in 1933 to 38,402 kilometres in 1939. In 1940 there were fifteen broadcasting stations, as compared with four in 1934. Nine of these stations were carrying on two simultaneous broadcasts, in Chinese and in Japanese. In 1940 four daily broadcasts were being transmitted to the Soviet Union and to Mongolia; to Europe, to the South Seas, and to the Pacific coast of North America.[2]

In attempting to evaluate the Japanese contribution in the development of Manchurian communications and transport it should be said first that had Japan never seized control in the country and it had remained under Chinese sovereignty, there would still have been considerable progress in the fashioning of an adequate communications system similar to that which took place in the rest of China between 1932 and 1937. Such progress would, indeed, only have been possible with foreign financial and technical assistance and, by the nature of things, this aid would in Manchuria have come mainly, though not exclusively, from Japanese sources. The port and railway construction plans which the Chinese authorities had worked out and were beginning to give effect to in 1931 would have stimulated the economic growth of die country, and on the whole, made for a more normal development, and one more suited to the economic stage which Manchuria had reached than were the schemes of the Kwantung Army for forcing on the growth of heavy industry. On the other hand, the Chinese plans had a political and strategical purpose and some, though not all, of the railway lines which the Chinese authorities were proposing to build, especially in northern Manchuria, did not materially differ in route from the ones constructed under Japanese auspices. Nor should the Chinese share in the railways actually built after 1932, both in capital in the form of taxes levied by the

[1] *S.M. R. Fourth Report on Progress in Manchuria,* **1934, pp. 191-2.**
[2] *The Far East Year Book,* **1941, pp. 780-7.**

'Manchukuo' Government, and in labour, be overlooked. But, while due consideration should be accorded these matters, it still remains true that the Japanese made an impressive contribution to the growth of Manchurian communications and one which would have been of permanent benefit to Manchuria and to China as a whole, but for the havoc wrought after the collapse of Japan in 1945.[1]

1 See Chapter XII.

CHAPTER VII

Developments in Currency and Finance

IN 1931, Manchuria, in common with the rest of China, had no unified monetary system, and the existence of multifarious local currencies with fluctuating exchange rates was an obstacle to economic progress. The four chief Chinese banks in Manchuria were the Bank of the Three Eastern Provinces, the Kirin Provincial Bank, the Heilungchiang Provincial Bank, and the Frontier Bank. Each of these issued various kinds of large and small money, and there were also notes and coins of smaller Chinese provincial and commercial organizations, so that altogether there were fifteen different sorts of notes and coins of 136 denominations in circulation.

Between 1920 and 1928 Marshal Chang Tso-lin became increasingly involved in the general Chinese civil wars, and like other Chinese war-lords, he had recourse to the printing press to meet the cost of his military adventures. He issued ever-increasing quantities *oiFengtienpiao* or military notes,without any adequate security, and forced farmers and traders to accept them in payment for supplies for his swollen armies. Chang Hsuch-liang continued the financial malpractices of his father, with the result that in 1929 there were in circulation Mukden notes of the face value of 3,000 million dollars. Their actual value had undergone rapid depreciation; from 165 Mukden notes to 100 silver dollars in 1926 the exchange rate had become 6,000 to 100 silver dollars in 1929, and the rate had become 100 silver dollars to 11,800 Mukden notes in 1930, when a ten-dollar Mukden note was equivalent in purchasing power to ten cents silver.[1] This meant that the farmers and merchants who had been compelled to accept the notes were saddled with a mass of almost useless paper, and in May 1929, the four leading Chinese banks in Manchuria tried to establish a joint treasury reserve, to secure the limitation of further note issues, and to prevent further violent fluctuations. Their success was limited, as the evil had become too deep-rooted to respond to any such palliatives.

[1] *Japan-Manchoukuo Year Booh,* 193$, p. 663.

In this situation the need for a stable currency, especially in foreign commerce, was met by the increasing use of foreign currencies as was also the case with payments to employees of foreign concerns in Manchuria. In view of the commercial preponderance of Japan in Manchuria, her leasehold of the Kwantung territory, and the large number of her settlers, it was natural that the Japanese yen should be the currency most widely used, although there was also a limited amount of Russian roubles in circulation in Harbin and along the C.E.R. In the soya bean trade the notes most widely used came to be those of the Yokohama Specie Bank at Dairen, which in 1910 was given the right to issue what were called *Chaiop'iao, or Yinp'iao,* that is, silver notes, because they were payable in Japanese silver yen. In 1913, the Yokohama Specie Bank also began to issue gold notes, but it discontinued this practice in 1917 when a Japanese Imperial Ordinance made the notes of the Bank of Chosen the sole legal tender in the Kwantung Leased Territory and in the S.M.R. Zone. The gold yen notes of the Bank of Chosen were used to pay the officials of the Kwantung Leased Territory and the employees of the S.M.R.; they thus gained a wide circulation, although the *Chiaop'iao* continued to be the monetary unit in dealings in Manchurian staple produce. In 1932, it was estimated that the notes of the Bank of Chosen in circulation in Manchuria amounted to 92 4 million yen, as compared with a total of 5. 6 million yen for the notes of the Yokohama Specie Bank.[1] With the rapid growth of Japanese and Korean settlement in Manchuria after September 1931, and with the greatly increased Japanese financial, commercial, and industrial activity, there was a corresponding expansion in the circulation of the Bank of Chosen notes, which reached an estimated total of *166'* 5 million yen in 1935. Those of the Yokohama Specie Bank, which, because of the fluctuations in the value of silver, were less desirable than the gold notes, declined to an estimated 3 • 5 million yen in 193 5.[2]

It will be observed that from 1932-37 Japanese currency was at least as important as a medium of business and commerce as the Manchurian yuan, and it would have suited the Japanese mercantile community in Manchuria if this process had continued and developed. But this would have made Manchuria too obviously a

[1] ***Japan-Manchoukuo Year Book,* 1939, p. 710.** [a] **ibid.**

second Korea and *it* would not have fitted in with the plans of the Kwantung Army leaders for the establishment of a State socialist regime largely independent of Japanese private capitalistic influences. For this they preferred their own financial organs and separate currency, although they could not dispense with financial backing from their homeland.

They therefore lost no time in putting into execution their plans for a unified currency. *On* 28 March 1932, a preparatory Committee was established and as a result of its deliberations a Currency Law was promulgated on 11 June 1932, and on the same day the Central Bank of Manchu was established. The objects of this institution were 'to unify and stabilize the currency; to function not only as a central banking institute but also to engage in general banking business and give necessary aid to enterprises; and to effect the unity and control of the monetary system; to perfect the various financial organs, and to assist in the development of the credit system.'[1] The Bank was organized as a joint stock company with a charter to run for tliirty years; its authorized capital was set at 30 million silver yuan, and it was given the exclusive right of note and coin issue against a security reserve of at least 30 per cent. Its head office was located in Hsinking with branches and sub-branches in most Manchurian cities.

The Currency Law established the silver standard with the yuan at 23-91 grammes as its unit, and provided for a new currency based on the decimal system; this was the yuan, or dollar; the chiao, one tenth of a dollar; the fen, one hundredth; and the li, one thousandth of a dollar. Paper notes of five chiao, one, five, ten, and a hundred yuan were made legal tender for any amount; the onc-chiao and five-fen nickel coins and the one-fen and five-li copper coins were legal tender for a maximum sum of a hundred times their face value. An order for the manufacture of the new currency was placed in Japan, and in the meantime, the Old Currency Adjustment Regulations, promulgated on 27 July 1932, fixed rates for the exchange of the existing Chinese currencies with the new 'Manchukuo' one, and decreed that after two years the new currency would be the only legal tender. On 23 May 1934, a year's extension was proclaimed and finally the period of grace allowed for the exchange was officially declared to be closed on 30 June

[1] *S.M.R., Fourth Report on Progress in Manchuria,* 1934, p. 179.

1935. By that time 97-17 per cent of the old currencies had been redeemed and destroyed.[1] The following table shows the course of this development:

REDEMPTION OF OLD CURRENCIES IN 'MANCHUKUO', 1932-35*
(Unit MY.)

Year	*Old currencies outstanding*	*Redeemed during six preceding months*	*Total redeemed*	*Percentage of redemption*
30 June 1932	142,234,881	—	—	—
31 Dec. 1932	93,687,824	48,547,056	48,547,056	34-13
30 June 1933	56,720,071	36,587,753	85,134,809	59-86
31 Dec. 1933	36,331,184	20,768,887	105,903,696	74-54
30junei934	9,883,510	26,447,673	132,351,370	93-05
31 Dec. 1934	6,575,183	3,308,327	135,659,697	95-38
30 June 1935	4,020,710	2,554,422	138,214,120	97-17

At the inception of this monetary reform there was considerable scepticism expressed about its chances of success. The financial expert to the Lytton Commission at that time considered that the resources of the Central Bank were insufficient to provide an adequate specie backing for the new currency, and that it was doubtful whether the Bank could possibly provide a new currency which would be freely convertible into foreign exchange.[3] The resources of the Central Bank at its inception consisted of the assets of the four former note-issuing banks winch were amalgamated and taken over by the new institution, and a loan of 20 million yen from the Japanese Bank of Chosen. Its paid-up capital consisted of 7-5 million yuan subscribed by the 'Manchukuo' Government. All this looked rather meagre beside the tasks which the Bank was to undertake. However, the currency reform proved more successful than had been expected, the ratio of the security reserve to note issues was kept at an adequate rate, and sufficient popular confidence was engendered to ensure that the new yuan came into general use and that the old money was not

[1] *S.M.R. Fifth Report on Progress in Manchuria,* 1936, p. 21. Convertible notes of the four pre-extant Chinese banks were taken oyer at par, others at lesser rates. The Fcngt'ienp'iao were evaluated at 5,000-6,000 for 100 MY. The total amount of old currencies was reckoned at 142-2 million yuan of the new currency as of 30 June, 1932.

[2] ibid.

[3] *Lytton Report,* p. loi.

hoarded. According to Japanese official figures, the Central Bank's note issue as of 30 June 1935 totalled 113,692,412 yuan, while its specie reserve was valued at 59,595,593 yuan, or 52-4 per cent of the note issue. The Japanese further claimed that the reserve during 1932-35 had never fallen below 44 per cent, as compared with the 30 per cent in gold and silver bullion, reliable foreign currencies, and deposits with foreign banks in gold and silver accounts which the Currency Law required it at the least to maintain.[1]

However, the published accounts of the Bank's balance sheets do *not* reveal precisely what W3s included as reserve against note issue. The Central Bank was given a monopoly of gold buying in Manchuria, and it acquired a certain amount of silver bullion, but its main security appears to have been derived from Japanese financial support. Nevertheless, its Japanese directors should be given due credit for providing a currency acceptable to commercial and financial circles; they did not make the mistake of issuing a new currency with obviously insufficient specie backing and not freely convertible, as was done in the case of the Japanese-sponsored Federal Reserve Bank of North China *in* 193 8. Furthermore, during the first years of the new regime the note issues were kept to a minimum and inflation was avoided.[2] This provision of a sound and simplified currency was an important and much-needed reform, and one which did something to mitigate the hostility of the Chinese in Manchuria to the new regime.

The new currency was at first on a silver basis and was not in any way tied to the yen. But the Silver Purchase Act of the American Congress in 1934 caused a drain of silver from Manchuria, as from the rest of China, with deflationary results. This was one factor in the new monetary policy adopted in 1935-36. In January 1935, the 'Manchukuo' yuan was demonetized and its exchange rate then fell to approximate parity with that of the Japanese yen, Japan having abandoned the gold standard and adopted a managed currency in 1931. But this development tended to shake popular confidence in the yuan and to stimulate the circulation in 'Manchukuo* of the Bank of Chosen notes. This was contrary to the ambition of the Hsinking authorities of making the 'Manchukuo* yuan the sole circulating medium in the country, and lengthy negotiations followed between them and the Ministry of Finance in Tokyo. As a result, it was announced *in* November

[1] ***S.M.R. Fifth Report on Progress in Manchuria,* p. 20.** [2] **See p. 13^.**

1935 that the international value of the yuan would henceforward be linked to that of the Japanese yen and that yen-yuan exchange would be maintained at par. At the same time, the Japanese Government promised to aid in the establishment of the yuan as the sole currency in 'Manchukuo' by making payments in yuan to the Japanese armed forces and the S.M.R. Company employees there, as well as by facilitating the gradual withdrawal of Japanese currency from the country. It also agreed that the 'Manchukuo' Foreign Exchange Control Law of 30 November 1935 should be enforced upon Japanese banks operating in the country. This law was intended to check the flight of capital from 'Manchukuo' and to stop speculative dealings in its currency. Japan co-operated by revising her own exchange control regulations of 1933, which applied to the Kwantung Leased Territory and the S.M.R. zones, so as to make them harmonize with the 'Manchukuo* regulations.

As a consequence of the new policy an agreement was concluded between the Central Bank of Manchu and the Bank of Chosen, by which the latter agreed to use yuan, to be made available to it by the former, in making future loans in 'Manchukuo', and also to withdraw gradually from banking activities in that country. In October 1936, the further issue *ofChiaop'iao* was banned in both 'Manchukuo* and in the Kwantung Leased Territory, and after December 1936, no further Japanese notes were issued in Manchuria, although the Bank of Chosen continued to issue yen notes in the Leased Territory. The transfer of the administrative areas of the S.M.R. Zone to 'Manchukuo' *in* 1937 and the abandonment of Japanese extraterritorial rights, made the 'Manchukuo' financial regulations operative there also. The Russian 'chervonetz' rouble practically disappeared after the sale of the C.E.R., while with the abolition of foreign extraterritorial rights, the branches of British and American banks in Manchuria were also subject to 'Manchukuo' financial regulations.[1]

In December 1936, the Industrial Bank of Manchu was established, with an authorized capital of 30 million yuan, one half of which was immediately subscribed in equal proportions by the

[1] These were the llong Kong and Shanghai Banking Corporation, with branches at Dairen, Mukden, and Harbin; the Chartered Bank, with a branch at Harbin, and the National City Bank of New York, with branches at Dairen and Harbin. They had never been banks of note-issue in Manchuria, and, except for the first named, they withdrew in early 1941 from 'Manchukuo* to the Kwantung Leased Territory.

Manchukuo Government and the Bank of Chosen. The Industrial Bank took over all the branch establishments in 'Manchukuo' of the Bank of Chosen and also absorbed two Japanese commercial banks, the Shoryu Bank and the Manshu Bank. The primary purpose of the new bank was to assist in the financing of the industrial development of Manchuria, especially in connexion with the Five-Year Industrial Development Plan; the Central Bank remaining the sole organ of note issue and of State financing.

The former Chinese regime in Manchuria had been characterized by a large measure of fiscal decentralization. Theoretically, the financial department of the North-Eastern Political Committee exercised general supervision over the whole country, and collected its tax revenues from the Customs and salt duties and certain consumption taxes. The military governors of the four north-eastern provinces each had local budgets and the hsien and town authorities within each province each had theirs. In practice the demarcation between central, provincial, and local taxes was largely obliterated, the central and provincial authorities farmed out their taxes to the local authorities, and, as elsewhere in China, the people suffered from arbitrary exactions and corrupt officials. Most of the money raised went to support the armies kept on foot by the two Changs and their military subordinates.

The Japanese set themselves to create a centralized fiscal administration and a reformed taxation system with clear demarcation between central and local imposts. The provincial authorities were deprived of their financial autonomy and the local hsien and municipalities subjected to strict supervision. By the laws of 2 July 1932, a body of revenue inspectors and tax collectors was established under the direct control of the Finance Department, and independent of the provincial and local authorities. In the following October, eighteen specific kinds of levies were decreed to be central taxes, and a number of miscellaneous local taxes were earmarked for the support of the local administrative organs. The task of putting this law into practical effect was no easy one, but the Japanese claimed to have got die new system in working order in the second 'Manchukuo* fiscal year, 1933-34.[1] They also removed or reduced a number of petty taxes and surtaxes, and claimed to have lightened the tax burden by 26 million yuan. One

[1] *S.M.R. Fifth Report on Progress in Manchuria,* **1936, p. 37.**

of their chief difficulties was to obtain competent and honest officials to execute these reforms, and at the same time to secure the intelligent and sympathetic co-operation of the people. The Japanese members of the administration, even when honest and well-meaning, were, in this as in other matters, often harsh and overbearing, as well as handicapped by the language difficulty, while the Chinese officials who had joined the new regime from motives of self-interest, were the last to want any alteration in the time-honoured methods of 'squeeze' and corruption. Hence, although the administrative reforms were on the right lines and beneficial as far as they went, abuses still continued to flourish, while in so far as the new regime was a more efficient tax collector, its hand tended to become heavier on the people than that of the less competent but relatively weaker government which it had replaced.

As the 'Manchukuo' regime got over its initial difficulties and gradually extended and consolidated its control, its revenues began to grow. It produced its first Budget in October 1932, for the period 1 July to 30 June 1932-33. A supplementary Budget had to be drawn up in March 1933 to cover the cost of flood relief in north Manchuria, of anti-bandit expenses, and of the expenses connected with the Opium Monopoly Bureau. At the same time the practice was initiated of having a Special Accounts Budget to cover certain specified items of expenditure, a practice which was copied from the Japanese Treasury. In addition to the General Budgets and Special Budgets, there were occasional supplementary General Budgets and supplementary Special Budgets, and, even if the official figures be accepted, they present no clear or comprehensive account of what special account expenditures were met from tax revenues and what were covered by loans from Japanese financial institutions, by bond issues, and by Government borrowings from the Central Bank. In the special account budgets the same items appear under both revenue and expenditure heads. In the case of such things as government monopolies it seems clear that the expenditure estimate is that of administration and the revenue the estimated profits from sales, but in others, such as the General Affairs Board or the Army Clothing Factory, 'revenues' must simply mean sums allotted for their upkeep, but no indication is given in the official reports as to the sources from which these sums were derived. The following table shows the net receipts and actual expenditures in the General Accounts Budgets during 1932-36:

TABLE Vm

GENERAL ACCOUNTS BUDGETS, 1932-36[1]
(in MY. millions)

Fiscal period	*Net receipts*	*Actual expenditures*
I March 1932-30 June 1932	21-23	18-19
1 July 1932-30 June 1933	152-92	129-63
1 July 1933-30 June 1934	194-57	165-48
1 July 1934-30 June 1935	214-89	187-24
1 July I935-3I Dec. 1935	132-76	99*83
1 Jan. 1936- 1 Dec. 1936	263-61	220-79

As from 1 January 1936, the fiscal year was changed to correspond to the calendar year, hence the half-yearly accounts for the preceding six months. The actual receipts for the period 1932-36 are shown as considerably greater than the budgetary estimates, whereas the actual expenditures, except in 1936, are said to have been less than the estimated ones, thus leaving a budgetary surplus.[2]

The chief internal sources of revenue were customs duties and the proceeds of government monopolies, including salt, opium, matches, and oil.[3] The 'Manchukuo' audiorities seized control of the Customs revenue in June 1932 and undertook three revisions of the tariff rates, in 1933, 1934, and again in December 1937. Between 1932 and 1937 the Customs revenue increased from 52-3 million yuan to 93 • 5 million yuan and averaged some 36 per cent of the total revenues.[4] With regard to salt revenues the 'Manchukuo' regime for a while continued the dual system which it had inherited from the former Chinese authorities. This consisted of an official monopoly of the purchase and sale of salt in Kirin and Heilungchiang Provinces, and private trade, subject to taxation, in those of Fengt'ien and Jehol. However, in October 1936, a Salt Monopoly Law was promulgated, and a general salt monopoly was established throughout the whole country. Under this, while the Government itself did not engage in the production and manu-

[1] *S.M.R. Sixth Report on Progress in Manchuria,* 1939, p. 84.

[2] The Japanese Department of Finance in Tokyo made a practice of over-estimating expenditure and under-estimating receipts in its Budget estimates.

[3] For the oil monopoly and its effects in foreign oil interests see Chapter X below.

[4] *S.M.R. Sixth Report on Progress in Manchuria,* 1939, p. 88.

facture of salt, these processes, as well as the importation of salt, were confined to those who received a Government licence, while all salt, whether manufactured or imported, had to be sold to the Government, at a fixed price, and then resold to the public by-licensed dealers. In February 1937, a Match Monopoly was established, and an Alcohol Monopoly in January of the following year. The State revenues from monopolies grew from 6 million yuan in 1933-34 to 20-1 million yuan in 1936, 44*3 million yuan in 1937, 52- 3 million in 1938 and 76- 6 million in 1939. In 1933-34, the monopoly profits amounted to 3 per cent of the total revenue, in 1939 it was 17 per cent.[1] The Japanese claimed that these monopolies did not raise the price to the consumer, but this was not borne out by unofficial reports, and there is not much doubt that they were a heavy and increasing burden.

The working of the opium monopoly aroused particular criticism. The Japanese did not introduce opium into Manchuria, it had long been widespread there, as elsewhere in China, and its growth was encouraged by the local war-lords as a lucrative source of revenue, although *it* was ostensibly prohibited. The 'Manchukuo* Government set up an Opium Monopoly Bureau in November 1932, and promulgated an Opium Law. Under this system the Government designated the authorized poppy-growing districts, bought the opium produced at a fixed price, and distributed it to licensed wholesale dealers who in turn retailed the drug to licensed retailers. These were supposed to sell opium only to registered opium smokers—addicts to whom it was a necessity until such time as they could be cured in special institutions for the purpose. The professed objects of the system were the eradication of opium through the progressive diminution of opium addicts and the corresponding reduction of planting. Of course, nothing of the sort happened; apart from widespread evasions of the monopoly by illicit growers and traders, the need for revenue and the opportunities for private profit on the part of the 'Manchukuo' officials resulted in opium being at least as widely sown and as easily obtainable as it had ever been. Apart from the evidence produced to support the charges made against Japan before the League of Nations Commission on deleterious drugs, there are some significant admissions in Japanese official or semi-official apologia. For example, the S.M.R. quarterly magazine, *Con-*

[1] *S.M.R. Sixth Report on Progress in Manchuria,* 1939, p. 90.

temporary Manchuria, in an article on Opium Administration published in January 1939, said that a new Ten Year Plan to abolish opium smoking had been drawn up in October 193 7.[1] Among the principles listed as part of this scheme were more effective control over the issue of certificates to addicts, and complete registration of these persons. The Government was to supervise poppy cultivation and to claim all opium produced, while buying and selling prices were to be determined in conformity with the policy of eradicating opium smoking, and opium addicts were not to be employed in the government service, the armed forces, and the special companies. The article said that there were ten opium infirmaries established and managed by the Central Government and thirty-six others which were financed by it, but managed by the hsien administrations; these institutions were deficient in accommodation and equipment, and appeared to be merely 'accommodating quarters for smokers'—in other words, opium dens. Seventy per cent of the 'cured addicts' had to be accommodated again. More effective supervision of these establishments was planned and also the increase of their number to 200, with accommodation for 900,000 addicts. Furthermore, 'considering the fact that the system of opium sales by authorized persons was apt to create undesirable effects due to the inextinguishable desire on the part of sellers to seek maximum profits', the sales were to be put under the direct management of hsien, municipal, and banner authorities by the end of I940.[a]

According to the *Japan-Manchoukuo Year Book,* 1940, the legalized areas for poppy-growing totalled 941,000 hectares in 1933, 1,066,000 in 1934, 690,000 m 1935, 880,000 m 1936 and 1,030,000 in 1937, with a 'planned reduction' to 710,000 in 1938. Jehol was listed as the largest producer; Kirin Province, the second largest in 1933 and 1934, disappeared from the list after 1934, while Cliientao and Sanchiang Provinces, which were carved out of Kirin Province, made their appearance in it.[3] These figures cannot be regarded as exhaustive, but such as they are they reveal that there was more legalized planting in 1937 than in 1933. From the same source is derived the following table of State Purchases and Sales of Opium, 1933-37-

[1] *Contemporary Manchuria,* Vol. Ill, No. i, January 1939, pp. 28-36.
* ibid.
[2] *Japan-Manchoukuo Ytar Book,* 1940, p. 723.

TABLE IX

STATE PURCHASES AND SALES OF OPIUM, I933-37[1]

	Purchases		*Sales*	
Year	*Quantity (in Hang,* I *Hang— 50 grammes)*	*Value MY.*	*Quantity*	*Value MY.*
1933	3-4 millions	7-6 millions	1*2 millions	5-5 millions
1934	*6-6* „	14-9 „	3-8 „	14*4
1935	*7'6* „	15.3 „	7*7 „	28-2
1936	10.3 „	19-8 „	10.1 „	38-6
1937	13*5 „	29-0 „	12-3 „	47-8

Thus, if these figures be accepted, the profits of nearly 19 million yuan from opium sales in 1937 amounted to almost half of the total profits from the State monopolies for that year. The Japanese claim that this was due to the more perfect enforcement of the monopoly system[2] is contradicted by the Japanese source quoted above, which said that a special registration drive in 1938, undertaken despite protests from the local officials, had got just under 600,000 addicts registered by the end of July, and that this was exclusive of those in 'special regions' like Jehol, Sanchiang, Mutanchiang, and East Hsingan Provinces.[3] It is pretty clear that, at any rate before 1938, the increase of profits by fostering the production of opium and its sale in Manchuria and abroad was the principal consideration in the minds of the Opium Monopoly officials. After 1938, when the need for more food production began to be felt, it does seem that some measures were taken to check the growth of poppy-cultivation and to decrease the use of opium and other narcotics, though it is doubtful if they had much practical effect. The charge that the Japanese higher authorities deliberately spread the use of drugs in order to render the Chinese population more docile may be held unproven—after all they needed Chinese labour in their factories and drug addicts do not make even moderately good workmen. But they did not exercise effective control over their underlings and camp followers, whether Japanese, Koreans, or Chinese, and consequently their evil record in the matter of opium, and in the even more vicious morphine and heroin traffic, both in Manchuria and in China generally, stands in glaring contrast to their glib professions of

[1] *Japan-Manchoukuo Year Booh,* 1940, p. 693.
[2] *S.M.R. Sixth Report on Progress in Manchuria,* **1936, p. 88.**
[3] *Contemporary Manchuria,* **Vol. HI,** No. **1, January 1939, pp. 32-3.**

concern for the welfare and improvement of the peoples whom their armies subjugated.

In addition to the Customs Revenue and Monopoly profits there were a considerable number of other taxes of which the nature and relative importance may be deduced from the following table:

TABLE x

INTERNAL TAX REVENUES, 1933-36[1]
(in MY. millions)

Type	1933-34	**1936**
Land Tax	7-72	n-44
Production Tax	7-23	8-41
Mining ,	0-93	0-98
Business ,	4.65	8-39
Cattle ,	1-48	**2-14**
Wine	7-96	n-45
Tobacco ,	2-95	6-88
Consolidated ,	3*88	2-73
Miscellaneous,	0-54	0-66
Total	37*34	53'08

The production tax and business tax were in lieu of a general income tax, which was inaugurated *hi* 1938.[2] There were also local surtaxes on some of these items at about half the rate of the general taxes.

With the establishment of the Central Bank the 'Manchukuo' Government had a financial organ for State borrowing and note issues, but up to 1936 this practice was kept within strict limits. In December 1936, the total of 'Manchukuo' Government internal loans stood at 154*3 million yuan, while the total note issues of the Central Bank were 254-2 millions. This relative conservatism in finance was possible because Japan had been carrying practically the whole burden of expenditure on industrial developments, as well as the bulk of the military expenditures. After 1936, with the inauguration of the Five Year Industrial Development Plan, the situation changed. The heavy drain of capital exports to 'Manchukuo' began to tell on Japan. Her increased exports of capital funds to Manchuria became the principal factor in

[1] ***S.M.R. Fifth Report on Progress in Manchuria,*** **1936^.38.**
[1] ***Japan-Manchoukuo Year Book,*** **1940, p. 740.**

unbalancing her trade with foreign currency countries and consequently her foreign exchange reserves began to dwindle.

In 1930, Japanese investments in Manchuria totalled Y.1617 millions in round figures. Of this sum, Y.742 millions or 47* 8 per cent of the total, were on account of the S.M.R.[1] The table opposite affords details of new Japanese investments during 1932-39.[2] (The figures in brackets represent loans paid back.)

A further Y. 1,011 millions was invested in Manchuria in 1940, bringing the total Japanese investment since 1931 to Y.4,064 millions.[3] This huge investment, which in the main took the form of exports from Japan to Manchuria of capital goods for industrial development and of consumer goods for the labour employed, was, in part, offset by imports into Japan of Manchurian raw materials and semi-processed goods, and by payments to Japan in the form of dividends, interest on loans, freight charges and remittances by Japanese employed in Manchuria. According to *Contemporary Manchuria,* the invisible returns to Japan amounted to Y.189 millions in 1936 and Y.219 milhons in 1937.[4] They rose to some Y.300 millions in 1939.[6] The relationship between Manchurian foreign trade and Japanese investment in Manchuria is shown by the following table:[6]

TABLE XI

JAPANESE INVESTMENTS AND MANCHURIAN FOREIGN TRADE

Year	*Manchurian imports*	*Manchurian exports*	*Balance of trade*	*Imports of construction materials*	*Japanese investments*	*Japanese Empire export surplus with 'Manchukuo* and K.L.T.*
1932	337.7	618.2	+ 280-5		97-2	
1933	515-8	448.5	- 67-4		151*2	
1934	593.6	448.4	-145-1	154.3	271-7	
1935	604.1	421.1	-183-1	157-8	378-6	
1936	691.8	602.8	- 89-1	I5I-9	263-0	225
1937	887.4	645.3	-242*1	224*3	348-3	322
1938	1,274.7	725.5	-549-3	410-6	439*5	519
1939	1,783.4	826.2	-957-2	555	1,103-7	959

[1] *Contemporary Manchuria,* Vol. Ill, No. i, January 1939, p. 2.
[2] *Oriental Economist,* March 1940, p. 152.
[3] *Japan Times and Advertiser,* 14 October 1941.
[4] *Contemporary Manchuria,* Vol. Ill, No. 1, January 1939, p. 11.
• E. B. Schumpeter (ed.). *The Industrialization of Japan and Manchukuo* (New York, Macmillan, 1940), pp. 399-40.
• ibid., p. 399.

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TABLE XII

JAPANESE INVESTMENTS IN MANCHURIA, 1932-39
(in million yen)

Channel of Investment	1932	1933	1934	1935	I93<5	1937	1938	1939	1932-9
S.M.R. Share capital called	25-0	61-0	36*0	36-0	36.0	56-0	20*0	40-0	310-0
S.M.R. Increase in funded debt	40-0	20-2	130-0	135-0	155-0	21*0	115*0	210-0	826-2
S.M.R. Increase in unfunded debt	—	—	—	75-0	(-75'0)	84-0	(-74*o)	(-25-0)	
S.M.R, Increase in unfunded debt	—	—	—	—	—	—	15*0	50-0	50-0
S.M.R. Share holdings disposed of	—	—	—	0-3	17*2	—	i*3	15*4	34*2
Net increase in funded and unfunded debts of <Manchukuo' corporations	—	1-7	30*4	38-9	31-8	27*0	127-2	499*3	756-3
New corporation share subscriptions paid	I2'2	38-3	65-2	22-0	36-0	34*1	91-6	103-8	403-2
Old corporation share subscriptions called	—	—	—	—	23*4	50-7	4^*3	125-2	241-6
'Manchukuo* National Dept	20*0	—	—	(-2-0)	(-2-0)	(-2-0)	(-2-0)	—	12-0
'Manchukuo* Foundation Bonds	—	30-0	—	(-2-0)	(-4-0)	(-6-0)	M-o)	—	io-o
North Manchuria Railway Bonds	—	—	—	6o-o	6o*o	—	50-0	—	170-0
'Manchukuo* unfunded debt	—	—	—	15*4	(-15-4)	38-4	(-38-4)	—	—
'Manchukuo* Investment Bonds	—	—	IO'O	—	—	—	(-0-6)	135*0	144*4
'Manchukuo' Investment unfunded debt	—	—	—	—	—	—	ioo-0	(-100*0)	—
Hydro-Electric Industry Bonds								50-0	50-0
Ind. Bank of Manchu Finance Bonds							45-0		45*o
Total Investments	97-2	151-2	271-6	378-6	263-0	303-2	1-4	1,103*7	3,052-9

These figures clearly illustrate the extent to which the Japanese sponsored industrial development schemes increased Manchuria's excess of imports over exports after 1932. The import excess was in the main met by Japanese investments. It should also be remembered that Japan bore the expenses of her army in Manchuria which was carrying out the task of 'pacification'. These costs totalled 1,355-3 million yen during 1931-37.[1] 'Manchukuo' made no contribution to the upkeep of the Japanese—as distinct from the 'Manchukuo*—armed forces until 1935, when she made a token payment of M Y . 9 millions; this was increased to M Y . 19-5 millions in 1936.

The Finance Minister, Mr Takahaslii, had in 1935 uttered a warning against unlimited investments in Manchuria and while his advice was not heeded by the Japanese military leaders, these evidently thought it time to mobilize Manchurian domestic funds as far as possible in the financing of the programme of industrial development. So, after 1936 there was a rapid expansion of the 'Manchukuo' budget and of 'Manchukuo' Government borrowing. In the 1937 budget the loans to be raised totalled 151*3 million yuan, and in the following year no less than 373-6 millions were to be raised by borrowing, while the figure for 1939 was 396-4 million yuan.[2] There was a corresponding increase in the note issues of the Central Bank, which rose to 307-4 million yuan at the end of 1937, 425-7 by the end of the following year and 657-3 by the end of 1939. By the end of 1940 it had risen to over 947 millions and inflationary conditions were developing. This caused concern to the authorities, but the mobilization of domestic funds had to continue because of Japan's increasing difficulties in supplying capital.

These difficulties were greatly accentuated after the outbreak of the Pacific War. Japanese investments continued on a large scale during 1941-43. They were reported to have amounted to Y. 910 millions in 1941; Y. 810 millions in 1942, and Y. 800 millions in 1943, but they fell off sharply after that, owing to the rapid deterioration in Japan's own finances. The grand total of Japanese investments in Manchuria up to 1945 may have been approximately Y. 9,000 milhons.

Consequently, during 1941-45 the Japanese drew heavily upon

[1] *Contemporary Manchuria,* Vol. IU, No. 1, January 1939, p. 9.
* *S.M.R. Sixth Report on Progress in Manchuria,* 1939, pp. 83-4.

Manchurian resources for war finance and industrialization. Taxes of all kinds were heavily increased; in 1943, the estimated revenue from taxation was MY.808 millions, and in the following year, MY. 1,054 millions. Compulsory savings were also instituted; these were said to have totalled 2,000 million yuan in 1943-44, and 3,700 millions in 1944-45. These taxes and compulsory savings constituted a severe burden on the population, although they operated to slow down the inflationary process. The total of 'Manchukuo' Government internal loans rose from MY. 909 millions in 1939 to MY. 1,900 millions in 1943. The note circulation of 947 million yuan at the end of 1940 increased to 1,262 millions during the following year, and to 1,697 millions during 1942. A further great increase was registered during 1943-44 and at the end of the latter year the note issue was officially reported at 5,876 million yuan. Unofficial estimates just before the Soviet invasion in 1945 put the total note issue at MY. 8,000 million. Nevertheless the degree of inflation in Manchuria was far less than that in Free China during the war.[1]

Thus, the Japanese contribution in the sphere of currency and finance consisted first, of the establishment of a unified currency, which in the first years of the regime was a factor of importance in the economic recovery which followed the years of trade depression and political disorder. Secondly, the creation, under Japanese auspices, of a reorganized and extended banking system as a means by which the capital resources of the country could be utilized more efficiently for the promotion of its economic growth. This was also in principle a sound and progressive reform. But the rapid pace of industrialization set by the Japanese planners, combined with the increasing difficulties which Japan herself experienced after 1937 in supplying the necessary capital funds, resulted in the beginnings of inflation and in increased tax burdens which by the opening of the Pacific War had already gone far to offset the value of the reforms. During the war period the Japanese masters of Manchuria compelled die people there to bear a proportion of the war effort, which, while perhaps not relatively greater than that carried by the people of Japan themselves, was productive of a severe reduction of the initially low Manchurian living standards, especially among the Chinese population and particularly in the growing cities.

[1] See Chapter XII, p. 238.

CHAPTER VIII

Industrial Policy and Development

As already observed,[1] Manchuria in 1931 was characterized by a predominantly peasant and handicraft economy, and such large-scale extractive or manufacturing enterprises as existed were almost entirely in foreign hands. The rapidly increasing population provided an ample supply of cheap labour, but of an unskilled character. Manchurian capital resources, while not inconsiderable, could not easily be channelled into industrial investment, since the necessary financial organs were largely absent.[2] Despite Japanese predominance in Manchurian foreign trade, the country was far from being Japan's lifeline', as it was asserted to be by Japanese publicists and apologists for the seizure of the country. It was a valuable and growing market for Japanese goods and a source of food supplies and fertilizers for the Japanese Empire, and it was also the chief depository for Japan's foreign investments, but it was not vital to her normal economic development. On economic grounds—as of course on political and territorial also—China had a far stronger claim to the country.

But the conquest of Manchuria was brought about by the Japanese Army chiefs for politico-strategic reasons. It was one aspect of the attempt of the Army to profit by the disastrous economic depression which had afflicted Japan since 1929, and to reverse the trend towards party government as an instrument of finance-capital which had characterized the previous decade. The Manchurian Affair resulted in the withdrawal of Japan from the League of Nations, with a consequent worsening of her diplomatic relations with the other Great Powers, and this development in turn gave force to the demand of the Army for the establishment of a quasi-war-time economy (Junsenji Keizai) in Japan, marked by an increasing measure of State regulation of the Japanese economy. In this procedure the Japanese Government, which was itself to an increasing degree an instrument of the Japanese

[1] See Chapter I.

[2] There was also a considerable flight of Chinese capital from Manchuria in consequence of the Japanese occupation.

armed forces, endeavoured to promote the formation of larger industrial units, to accumulate stocks of raw materials as a war reserve, and to foster the growth of 'war* industries, notably munitions, aircraft, automobiles and chemicals. These trends in the Japanese economy became marked during 1932-37 and were very greatly accentuated after the outbreak of the * China Affair' in the latter year.[1]

To the Japanese Army leaders the occupation of Manchuria was a further step in the establishment of Japanese hegemony in the Far East and in the formation of a 'Greater East Asia' political and economic bloc. They did not expect that this could be achieved without war, certainly with the U.S.S.R., whose expulsion from the Pacific littoral was from their standpoint desirable for both strategic and ideological reasons; and probably also with Great Britain and the United States. While many of them failed to comprehend the immense inferiority of Japanese economic resources to those of the Powers whom they proposed to challenge, they did realize that to be successful Japan must organize her continental conquests on a war basis. Therefore they desired to force on the development of industries in Manchuria in such fashion as to transform it into a 'continental war base', and they pursued a similar policy in Korea, reversing the earlier tendency to preserve that country as primarily a market for Japanese manufactures, and a source of foodstuffs and fertilizers for the Japanese urban and rural population.

Therefore, from the outset the Army made it crystal clear that 'Manchukuo' would be subjected to a planned economic development. This economic policy was enunciated by the 'Manchukuo' Government in March 1933 in its Economic Construction Programme. The preamble to this laid down four basic principles: that economic development was to be devoted to the welfare of the whole nation and there would be no monopoly of advantages by a small group; that state control would be established in the case of 'important economic activities'; that the open door and

[1] For these developments see G. C. Allen, *A Short Economic History of Modern Japan* (London, Allen and Unwin, 1946), especially Chapters VIII to XI. The distinction between 'war' and 'peace* industries is somewhat artificial; furthermore, judging by the experience of other industrial countries, Japan would in any case have experienced a growth in her iron, steel, light metal, and chemical industries and a relative decline in textiles, but had the 'civilian' prevailed over the 'military' elements in Japan the pace would have been slower and not attended by the dislocations in her economy and the shortages of consumer goods which occurred after 1937.

equality of opportunity would be maintained; but that emphasis would be laid on co-operation between 'Manchukuo' and Japan. This served notice on both Japanese and foreign capitalists and *entrepreneurs* that they would not be allowed a free hand in the development of Manchurian resources. In an attempt to clarify the second point the 'Manchukuo' Government issued a supplementary statement which declared that important industries which had a bearing upon national defence or which were public utilities would be operated cither by the State or by special companies. Other industries would be entrusted to free management by private individuals, but 'necessary adjustments' in the production and consumption of commodities would be made by the State so as to safeguard the welfare of the nation. For lofty phrases such as "safeguarding the welfare of the nation' should be read ensuring the execution of the plans of the Japanese Army. The original economic construction programme did not specify which were important industries and which were not, but this was of relatively minor importance compared with the clearly enunciated intention to permit no fully free enterprise to operate in Manchuria.

This resolve to imprison Manchuria in the strait-jacket of a planned economy reflected the hostility of the Army to the great Japanese 'Zaibatsu* or money-groups, which had come in Japan itself to exercise an all-pervading influence alike over finance, industry and commerce. The major family 'konzerns' were the houses of Mitsui, Mitsubishi (Iwasaki), Sumitomo, and Yasuda. Each of them was primarily a banking and financial concern, but one also having multifarious industrial and commercial holdings which were to be found throughout the whole range of Japanese economic activities. They did not each dominate a particular sphere of industry and were thus strongly competitive one with another, but they could present a united front against policies which they considered harmful to all of them. The relations between the Zaibatsu and the Japanese military leaders were a curious mixture of collaboration and antagonism. The Zaibatsu had been agents of the Japanese Government in the creation of modern financial, industrial, and commercial institutions, but their vital role in this development made it possible for them to become a powerful influence upon Japanese policy. Representatives of the great houses often held Japanese Cabinet and other government positions, while, with the growth of Japanese party politics, the Zaibatsu were provided with another source of influence over the national destinies. Thus the Seiyukai to a considerable degree represented Mitsui interests and the Minseito those of Mitsubishi.

The growth of Japanese industry and commerce was materially quickened and enhanced by Japan's victories over China in 1894-95 and Russia in 1904-5, as well as by her participation against Germany during 1914-18. The Zaibatsu profited greatly by this economic growth and they also took a prominent part in the exploitation of the colonial territories which Japan acquired. Consequently, they were not always averse *to* a policy of military conquest and expansion, and they, equally with the military, desired to see Japan assume a dominating position in the Far East. But in general they thought in terms of economic penetration rather than of military force; in this some parallel may be drawn with the attitude of Count Witte and his financial associates during 1895-1904 as contrasted with that of General Kuropatkin and the Russian military clique.[1] Furthermore, the directors of the great financial and mercantile *konzerns' were more widely travelled and had more contacts with Great Britain and the United States than was the case with the average Japanese Army officer, who, so far as he was influenced at all by foreign models, drew his inspiration from Germany. Consequently, the Zaibatsu had a more accurate idea of the power and war resources, actual and potential, of the Powers against whom the Army was thinking of conflict, and they did not relish the prospect. This was the more so because such a clash would deprive them of their easiest and least expensive sources of raw materials and of their most profitable overseas markets. While they did not like Chinese nationalism, especially when it took the form of economic boycotts and increased tariff rates, they were confident that Japan's more advanced stage of industrial development and her technical skill would ensure for her a predominant share of the Chinese market. Such at least was the predominant opinion among them during 1920-29.

The period 1920-29 had seen a great increase in the wealth, power and political influence of the Zaibatsu, while it witnessed a decrease in die political influence of the Army, due to the defeat of Germany in 1918 and the setback to the militarist and expansionist

[1] See Chapter VI, p. 100.

schemes of the Army which occurred during 1918-23 in both China and Siberia. The Zaibatsu came to exercise a political power which competed for control with that of the Army and of the Court aristocracy. But then occurred the fateful financial and economic depression of 1929-32. This caused suffering among both the urban and rural masses of Japan, which aroused their hostility against the Zaibatsu, a hostility skilfully fanned by Army propagandists. The Zaibatsu had one great weakness; while they despised the soldiers as tyros in foreign and economic affairs, they were afraid of them, not only on account of the violent measures which extremist military groups and secret societies in Japan were wont to adopt, but also because no Japanese likes to be charged with unpatriotic conduct, and this was a cry quickly raised against any who opposed the policies of the military. Furthermore, the general world depression, which stimulated restrictive trade practices such as increased tariffs and the quota system, discredited the policy of peaceful economic penetration into foreign markets, especially those of the British Dominions and colonies. So, to some extent, it inclined the Zaibatsu themselves to lend a more willing car to the forceful solutions advocated by the military chiefs.

In 1931 the Zaibatsu bowed to the storm and the Army had its way in Manchuria. But the Army leaders suspected that the retreat of the Zaibatsu was simply a case of *reculer pour mieux sauter,* and remained suspicious of them. Also, while they were ready to co-operate with the Army in the promotion of munitions and ancillary industries as a means of counteracting the depressed economic conditions into which Japan had fallen, the Zaibatsu remained opposed to the totalitarian system which a section of the niihtarists would have imposed upon the country. Although they had to submit to increasingly drastic State regulation after 1937, they always succeeded in retaining a measure of influence and independence right down to the collapse of Japan in 1945, because their co-operation was indispensable in the mobilization of Japan's economic resources.

The Zaibatsu had no great interests in Manchuria in 1931 and here, therefore, the Kwantung Army had a clear field for its experiment in planned economy, although with somewhat unpropitious material upon which to work. From 1931-36 it was the Army's policy to exclude the Zaibatsu **from** any direct share in **the** economic development of 'Manchukuo' so as to preclude the growth of any opposition to State control. **But** if the Zaibatsu were thus excluded what instruments was the Army to make use of in the financing and organization of the new industrial enterprises? To this question, the Army thought that it had a sufficient answer in the existence of the S.M.R. Company. The S.M.R. had always been more an instrument of Japanese policy in Manchuria than a simple profit-making concern; moreover, only one Zaibatsu interest, the Yasuda Bank, held any large proportion of the non-governmental half of the S.M.R. Company's shares.[1] Not only were the general policy and activities of the Company under the supervision of the Japanese Government in Tokyo, but even before 1931 they were to a large degree controlled by that of the Kwantung Leased Territory, and after 1931 the Kwantung Army saw to it that its control over the S.M.R. was widened and strengthened. Thus the S.M.R. became to an increased degree the servant of the Kwantung Army and the executor of its policies. It also became the main channel of Japanese investments in *Manchukuo* until 1937. From 1935 until March 1939 it was under the presidency of the ebullient Yosuke Matsuoka, whose policy was to make the S.M.R. the chief agent of Japanese economic exploitation of Manchuria in all its aspects.

The consequences were unfortunate for the S.M.R. Its activities had already by 1931 grown far beyond the simple management and operation of its railway system. They included various 'uneconomic', i.e. non-profitable, enterprises, such as die Anshan Iron Works, administrative and social services in the railway zones, Japanese colonization settlements in these zones and in the Leased Territory, and certain 'marginal' enterprises such as coal hquefaction at Fushun. It was now saddled with a great many other unprofitable or marginal enterprises. It took over the former Chinese railways in Manchuria, some of which were in an unsound position, and was entrusted with the building of new railways. As these were built primarily for strategic purposes and some of them ran through thinly populated areas, they could not be expected to pay their way for some time, especially in view of the restriction of Chinese rural settlement in eastern and northern Manchuria in favour of that of Japanese.

[1] The Yasuda Bank held 116,780 shares in 1932 and 170,255 in 1937 out of a total, for that year, of 16 million shares. Kirby, op. cit., p. 179.

In addition to its multifarious duties in railway and harbour development the S.M.R. was required to provide the bulk of the capital and to undertake the management of 'special permit' industrial concerns, including the Showa Steel Works, which replaced the Anshan Iron Mining Company in 1933, but which was on a greatly extended scale. By 1937 there were twenty-two of these S.M.R. subsidiary companies, and few of them at first were on a really profitable basis. The consequence was that the S.M.R. became over-extended and over-burdened, and it suffered from both managerial and financial difficulties. Furthermore, its rate of dividend on its privately owned shares, 8 per cent, was less than that obtainable by investment in Japan, especially after the recovery from the depression which was stimulated by the growth of war industries.[1]

While, during 1932-37 the S.M.R. remained the principal agent of the industrialization programme, it was not die only one. Between 1932 and 1937 nineteen special companies were established as organs of the 'Manchukuo' regime. These included the Central Bank, the Manchurian Telegraph and Telephone Company, the Dowa Automobile Company, the Manchuria Petroleum Company, the Manchurian Coal Mining Company, *the* Manchurian Gold Mining Company, the Mukden Arsenal, and the Companies for promoting Japanese and Korean immigration. In all of them the 'Manchukuo' Government was either a principal or an important shareholder; it raised its share by issuing bonds in Japanese currency, by loans from the Bank of Japan, or bonds issued by the Central Bank of Manchuria. It had complete control of these companies. The S.M.R. figured as an investor in most of them, although its main investments in industry were diverted into the special permit companies. These were not official organs of the 'Manchukuo' Government, although they were subject to strict governmental control, especially after die promulgation in May 1937, of the Special Industries Control Law, which designated twenty-one industries as coming within the sphere of

[1] The S.M.R. Capital of 440 million yen was doubled in 1933, the Japanese Government maintaining a 50 per cent holding. The Company's assets increased from Y. 1,100 million in 1931 to Y.2,120 million in 1937. Of the total of Y. 1,504 million of Japanese new investments in bonds and loans in 'Manchukuo' during 1932-37 inclusive, 68 per cent was effected by the S.M.R. *Contemporary Manchuria,* Vol. Ill, No. 1, January 1939, P. 6. The S.M.R. total included Y.760 millions invested in the 'Manchukuo' State Railways and Y.220 millions in private companies. *Contemporary Manchuria,* Vol. II, No. *s,* September 1938, p. 95.

control,[1] either as State corporations or 'special permit* companies. The general principle followed was that each State-controlled or State-supervised concern should be responsible for one particular industry, while comprehensive planning and direction should be exercised by the General Affairs Board of the 'Manchukuo* Government, in conjunction with the Economic Research Bureau of the S.M.R. and the Headquarters of the Kwantung Army, now located in Hsinking. Final decisions undoubtedly rested with the last-named body.

By 1936, this apparatus of control had succeeded in laying the foundations of the ambitious political and economic edifice which the Army desired to erect. The more accessible parts of the country had been brought under control and the populace were cowed into sullen acquiescence in the rule of their new masters. The communications system had been improved and greatly extended, the monetary system reformed, and new financial organs created, while, as already noted, a number of State-controlled companies had been organized to shape the industrial life of the country in the form that the Army desired it to take. The way was clear for a great expansion of industry with the object of building up a strong economic war potential in 'Manchukuo' and of assisting the growth of that of the Japanese Empire proper. So, in 1936, the first Five-Year Plan of Industrial Development began to take shape. But to achieve this ambitious project it was clear that a great increase in capital investment and in technical aid was imperative. The S.M.R., already overburdened, could not undertake all of this, although it could, and did, continue to play a vital part. Nor could the Japanese Government, with numerous other calls upon its resources, while those of 'Manchukuo' would not go very far to meet the needs. Also there was an extra burden to shoulder in the form of payments in cash and kind for the C.E.R.[2] It was clear that, both from the standpoints of financial aid and of industrial efficiency, the Japanese Army must modify its policy of keeping down to a minimum the participation of the

[1] These were: munitions, aircraft, automobiles, liquid fuel, iron and other metals, coal mining, textiles, flour milling, sugar refining, pulp, soda, fertilizers, oil wells, cement, matches, brewing, tobacco. Small-scale industries were excepted. This meant that practically the whole range of large modern industries was under State control, either through direct State management or official supervision, which included permission to start, enlarge, alter or discontinue activities, general direction of activities, inspection of books and accounts, with penalties for non-compliance with such instructions.

[8] See Chapter VI, p. no.

Zaibatsu and of other Japanese private companies in Manchurian development.[1]

In Japan itself, the relations between the Army leaders and the older Zaibatsu had somewhat improved by 1936. The Army realized that it could not hope to build the quasi-war economy without the co-operation of the Zaibatsu, while the latter welcomed the opportunities of profit which the stimulus of war production gave them. But the Army was still suspicious of the Mitsui and Mitsubishi interests and their all-embracing ramifications, and therefore welcomed the growth of what were termed shinko-Zaibatsu or new money groups. These differed from the older Zaibatsu in that their holdings were almost entirely confined to the iron, steel, light metal, and chemical industries, die very ones which the Army desired to foster. They therefore gave whole-hearted support to the policy of militaristic expansion to which the Army was committed. Furthermore, their capital structure differed in that their shares were widely distributed, instead of being concentrated in the hands of a few families, so that the Army could co-operate with them without too obvious an abandonment of its anti-plutocratic attitude. The most important of these 'new Zaibatsu' was the Nippon Sangyo Kaisha, popularly known as Nissan, and headed by Yoshisukc Aikawa.[2] In 1936 he was invited to Manchuria to inspect the progress of industrial development there and expressed himself as very favourably impressed by what he saw.

Then, in July 1937, the outbreak of the 'China Affair' and its extension into large-scale Sino-Japanese hostilities made it the more imperative for the Kwantung Army to enlist the aid of private Japanese enterprise in 'Manchukuo', both because the Japanese Government now had a new and serious drain on its resources and because the conquest of North China and Inner Mongolia enabled the Kwantung Army to put into practice its long-cherished plans for a Japan-Manchukuo-North China economic bloc. So, in December 1937, the Manchuria Heavy Industry Company (Mangyo) was organized, with the Nippon Sangyo as its nucleus. It was capitalized at Y.450 million, one half of which was supplied by the Nissan interests and the remain-

[1] There had been a fair amount of Zaibatsu investment in 'Manchukuo' prior to 1937, either through the S.M.R., or in **the** special companies.

[2] He had been a right-hand man of Fukanosuke Furukawa, a copper magnate.

ing half by the 'Manchukuo' Government, which turned over to Mangyo most of the State-controlled industrial enterprises, including many which had been previously subsidiaries of the S.M.R. The Nissan interests moved their headquarters to Hsinking and Aikawa became primarily a director of Manchurian industry, while he retained for the time being his interests in Japan. The Manchurian Heavy Industry Company was thus a giant holding company, financing and directing most of the important Manchurian industries. The S.M.R., bereft of most, though not all, of its industrial subsidiaries, and, after the transfer of administrative rights to 'Manchukuo' in November 1937, relieved of its financial burdens *in* the former Railway Zone, confined itself mainly to its task of port and railway operation and expansion.[1] Matsuoka, who was too independently minded to suit the military, gave place in 1939 to Takuichi Omura, a former chief of the Communications Supervisory Section of the Kwantung Army. Thus the proud Mantetsu became but one of the several agencies of the Kwantung Army in its exploitation of Manchuria. This was what a powerful section of opinion in that Army had been aiming at ever since 1931.

Aikawa appears to have entered upon his new tasks in a sanguine mood. The 'Manchukuo' Government guaranteed him a six per cent dividend on his investments, and protection for die free transaction of the Company's shares on the stock market. So he was assured of a minimum rate of profit and protected against fluctuations in the market value of his shares. He could thus offer attractive terms to other Japanese investing interests and he hoped to secure foreign financial and techmcal aid, especially from Germany and the United States.

But Aikawa soon ran into unexpected difficulties. The non-recognition policy of the American Government with regard to 'Manchukuo' was strengthened by the withdrawal of various American (and other foreign) firms in view of the monopolistic practices of the 'Manchukuo' regime, as well as by the advance of Japan into the rest of China. In this situation American finance was not prepared to back the Japanese experiment in controlled economy in 'Manchukuo' despite Japanese blandishments. The 'China Affair' made it difficult to secure adequate supplies of

[1] Its capital was several times increased, until in 1944 it had a paid-up capital of Y. 1,400 millions and had issued Y. 2,800 million of debentures.

capital goods from Japan, while the outbreak of the European war in September 1939 paralysed the operation of the German-Japanese-Manchurian tripartite trade and loan agreements by which Germany was indirectly assisting in the building-up of Manchurian industries.

Furthermore, Aikawa was confronted with management problems. He found it difficult to give the requisite attention to both his pre-extant interests in Japan and his new-found ones in Manchuria. He also found that, although he had nominal control of the subsidiary companies, his real authority was limited by the interference of the Hsinking bureaucracy which was often both meddlesome and inefficient, and by jealousy between the Nissan staffs and those of the companies put under his control. Aikawa and his subordinates were business men interested in efficient and profitable management and they had frequent feuds with Army theorists and bureaucratic State planners. Another trouble was that the official controls over prices of goods exported to Japan operated to keep down Mangyo's profits.[1]

By die end of 1940 Mangyo had made Y. 1,422 millions of new investments, of which 78 per cent was in Manchuria. It was paying 10 per cent on its privately-owned shares and 5 per *cent* on its government ones, but it was enabled to do this mainly through receipts from die 'Manchukuo' Treasury, in fulfilment of the 6 per cent guarantee. This subsidy accounted for 70 per cent of Mangyo profits in the latter part of 1940.[2]

This unsatisfactory situation resulted in a reorganization of the Manchuria Heavy Industry Company in 1941. Under this Aikawa agreed to dispose of his interests in Japan, mainly to a group of Japanese insurance companies, who also agreed to invest an annual Y.100 milhons in Mangyo during 1941-44. It was arranged diat Aikawa's control over the subsidiary and affiliated companies should be strengthened by making Mangyo their sole avenue of approach to the 'Manchukuo' Government. To assist in the co-ordination of activities the various undertakings were organized into four groups: iron and steel concerns, coal mining, non-ferrous metals, and machinery, with a director over each who was responsible to the central board of Mangyo.

[1] J. R. Stewart, '*Manchurian Heavy Industry Reorganized',* in *Far Eastern Survey',* 8 September 1941, pp. 202-4.

[2] ibid.

But before the results of this new scheme could become apparent the Pacific **War** broke out and was accompanied by fresh stringent war-time controls, increased shortages of materials, and other problems which eventually proved too much for Aikawa ancf **compelled him** to **resign from the** presidency of **the** Company.

To turn from the consideration of general economic policy to an estimate of actual achievements in increased production *it* should be borne in mind that the years 1932-36 saw a considerable industrial development, although one far surpassed by the succeeding period, 1937-41. Thus, according to Japanese statistics, coal production rose from 8,950,000 metric tons in 1931 to 13,800,000 in 1936, iron-ore from 673,000 to 1,325,000 metric tons over die same period; gold output from 111,000 grammes to 3,570,000 grammes, and there was a similar rate of increase in other minerals.[1]

During 1934-36 the value of industrial production in 'Manchukuo', including the K wan tun g Leased Territory, more than doubled, from Y.360* 4 millions to ¥.805-9 millions. Industries in the Kwantung Leased Territory accounted for ¥.470- 5 millions of the latter sum. The metal industries underwent a seven-fold increase in the value of their production.[2] Allowing for a rise in prices, these figures still represent a large growth in the volume of production.

While planned industrial production had been the order of die day from the outset, it was not until 1936-37 that a definite and comprehensive programme of increase over a given period, similar to the Soviet Five-Year Plan, was worked out and promulgated. This was the first Five-Year Plan of Industrial Development But its appearance before the public coincided with the outbreak of the 'China Affair' and this resulted in a complete revision of the Plan, the final revised figures for capital outlay and production being approved at a meeting in Hsinking in May 1938, which was attended by representatives of the Kwantung Army, the 'Manchukuo' General Affairs Board, the Manchuria Heavy Industry Company and the S.M.R. The following comparative figures of estimated capital outlay and planned production will show the nature and extent of the changes:[3]

[1] *The Far East Year Book,* 1941, PP- 706-711, 715. [2]**ibid., I94i,pp. 801-2.**
*** ibid., p. 86*.**

TABLE XIII

THE FIVE-YEAR INDUSTRIAL DEVELOPMENT PLAN

A. ESTIMATED CAPITAL OUTLAY
(in million yen)

Nature oj Investment	*Original Plan*	*Revised Plan*
Iron and Steel	230	700
Coal	150	300
Electric power	210	500
Coal liquefaction	320	1,000
Machinery and Chemicals	310	1,300
Transport and Communications	1,000	640
Agriculture and Stockbreeding	130	140
Immigration	—	220
Total	2,350	4,800

B. ESTIMATED ANNUAL PRODUCTION IN 1941
(in thousand metric tons)

Product	*Original Plan*	*Revised Plan*
Coal	25,500	38,000
Iron-ore	6,600	12,000
Pig-iron	2,400	5,000
Steel	2,225	5,500
Steel products	—	2,000
Coal liquefaction	500	1,700
Shale oil	800	650
Salt	870	1,000

Thermal electric power production in 1941 was planned at 575,000 kW in the original plan and raised to 1,260,000 in the revised plan: corresponding figures for hydro-electric power were 870,000 and 1,340,000 kW. The plans also envisaged large increases in light metals, automobiles, aircraft, and wood pulp.

As to the sources of the huge capital investment required, the original plan contemplated securing 900 million yen through the S.M.R., 710 millions from the 'Manchukuo' Government and 750 millions from the special concerns (presumably through Mangyo). The revised plan omitted the SJVLR. and Mangyo, and called for 2,100 million yen from the 'Manchukuo' Government, 1,410 millions from the Japanese Government and 1,300 millions from 'foreign sources', i.e., Germany and the U.S.A. The fate of this latter anticipation has already been described.

The figures speak for themselves in the matter of the concentration on increasing the war potential of the Japan-'Manchukuo' economic bloc, which was the chief desideratum of the Army. Agriculture, formerly the mainstay of the country, was the Cinderella in this planned economy, while the large 'Manchukuo' contribution to the finance of the amended plan meant a heavy burden on the people in the shape of increased taxes and inflationary bond issues.[1]

The execution of the Five-Year Plan soon ran into difficulties. From 1937-41 the Japanese economy had to bear the three-fold burden of the maintenance of large armies in China, of preparation for the greater war which the Army envisaged, ana of providing the bulk of the capital goods for the 'Manchukuo' industrial programme. Although Japan's industrial capacity was greater than was generally supposed by outside observers, and proved surprisingly resilient, it was not entirely sufficient for the simultaneous performance of all these tasks. There were bottlenecks in production, especially of machine tools, and a shortage of skilled labour. Moreover Japan's slender foreign exchange reserves hampered her in the purchase of essential equipment from abroad. She was dependent upon Germany and the United States for imports of certain types of machinery and the outbreak of the European War largely cut off German supplies. It furthermore disrupted the profitable Manchurian soya bean trade, thus depriving the Japan-'Manchukuo' bloc of an important source of foreign exchange, and greatly adding to the obstacles to the complete fulfilment of the Five-Year Plan. It is therefore not surprising that the planned totals of even the original plan were not reached. According to Japanese sources Manchuria in 1941 produced 20·7 million tons of coal, 1·4 million tons of pig iron, 530,000 tons of steel ingots, 356,000 tons of steel materials, and 560,000 tons of salt. Production of the lighter metals was very greatly increased but also did not reach the planned totals. The biggest set-back was encountered in the failure of the ambitious plans for the establishment of coal liquefaction plants. In this sphere the Japanese Army wished to emulate the achievement of Nazi Germany, but,

[1]See Chapter VII, p. 138.

despite the considerable advances made in the efficiency of Japanese industry in 1930-37, in the matter of synthetic oil the Japanese lacked the requisite knowledge of the latest processes and the skilled technicians to operate the plants. Hence the severance of the normal trade communications with Germany proved a crushing blow. The plants which were constructed in Manchuria were intended to supply 55 per cent of Japan's total production of synthetic oil, but they actually produced a maximum of only 9 per cent of the target figure of 43 • 6 million barrels, and they were never able to make a really significant contribution to Japanese oil supplies.[1]

A second Manchurian Five-Year Plan was launched in 1942, but this was confronted not only by all the adverse circumstances which had prevented the full execution of the first one, but by new ones which arose from Japan's entry into war with Great Britain and the United States. It should be observed that although the rapid initial conquest of the East Indies with their immense mineral and agricultural wealth caused a diversion of popular attention from Manchuria, the Japanese Government from the first strove to counteract this tendency, and to stress the importance of Manchuria as a vital part of the key inner zone of defence. As the Japanese enforced a statistical blackout even more stringently than that imposed in 1937 and as their reports of progress in Manchuria were even more roseate *in* hue, their actual achievement during 1942-45 is difficult to gauge, but further increases were undoubtedly registered in mining and in industrial production. In 1944 there was a probable production of 25 to 30 million tons of coal, 3 million tons of pig iron and 1 • 5 million tons of steel ingots.

The production of an adequate supply of coal and electric power was an essential prerequisite to the progress of the whole industrial programme. Moreover, although before 1931 Manchurian coal had been competitive with Japanese collieries in supplying the Japanese market, and there had been limitations on coal imports from Manchuria into Japan at the instance of Japanese colliery interests, this situation changed with the expansion of Japanese industry under war pressure and the consequent increased demand for coal.

[1] J. B. Cohen, 'The Japanese War Economy, 1940-4C', *Far Eastern Surrey,* **4 December 1946, p. 369.**

In 1930 Manchurian coal production totalled 9,660,000 metric tons of which 7,200,000 were produced by the famous mines at Fushun. Fushun lies in the valley of the Hun River, some thirty miles east of Mukden. The coal deposits cover an area ten miles long and z\ miles wide, with an estimated reserve of 952 million tons. As the seams are near the surface Fushun is well known as possessing the largest open-cut mine in the world. Coal had been mined there by traditional methods for centuries. The Russians began modern mining, but the big developments came after 1907 when the S.M.R. took over the operation of the mines. Production rose from 490,000 tons in 1908 to 7- 2 million tons in 1930.[1] The S.M.R. also operated the Yentai collieries, which are situated some fifteen miles north-east of Liaoyang, and were producing some 170,000 tons of anthracite yearly in 1930. The other important south Manchurian coalfield, at Penhsihu, forty-seven miles south-east of Mukden, was being operated by a Sino-Japanese concern. It was producing about 400,000 tons annually in 1930, and is especially important as the best source of coking coal in Manchuria. Fushun, Penhsihu, and Yentai were together responsible for almost all the coal production of southern Manchuria, although the Chinese administration at Mukden was operating the mines at Pcip'iao, in Jehol, and Fuhsin, on the Tahushan-Tungliao railway.

In north Manchuria the chief collieries in operation *in* 1930 were located at Dalainor, Muling and Holichang. Dalainor, on the C.E.R. between Hailar and Manchuli, was owned and operated by the C.E.R. and was producing some 200,000 tons yearly. So was the coalfield at Muling, in Kirin Province, north of Mutanchiang. The third north Manchurian coalfield is located at Holichang, *on* a tributary of the Sungari, north of Chiamussu. This was producing only some 15,000 tons yearly in 1930, but its coal is of better grade and is suitable for coking.

The Japanese conducted extensive surveys of Manchurian coal reserves and discovered various fresh deposits, in addition to revising the estimates of die reserves of those already known. As a result, estimates of the total coal resources of Manchuria rose from 4,800 million tons in 1930 to 20,000 million tons in 1941. The Fuhsin fields were re-estimated at 4,000 million metric tons, while important discoveries were made in the Tungpientao region

[1] ***S.M.R. Third Report on Progress in Manchuria,* 1932.**

along **the** Korean frontier. **In May 1934,** the Manchurian Coal Mining Company was organized, with an initial capitalization of **Y.16 rnillion, subscribed jointly by the 'Manchukuo*** Government and the S.M.R. This was raised to Y. 80 million in 1937, the increase being borne equally by the same subscribers. It took over all the collieries, except Fushun, Yentai, and Penhsihu. According to Japanese statistics the total Manchurian coal production was 13-6 million tons *in* 1936, of which die S.M.R. collieries accounted for 10.2 millions.[1] The Manchurian Colliery Company ran into difficulties, partly because it was dissipating its energies over too many coalfields, partly because expansion was hampered by shortages of colliery equipment and of labour. Coal production failed to keep pace with domestic requirements and increased demands from Japan, and there were expressions of dissatisfaction in the Japanese Diet in January 1940 which General Tojo was not entirely able to allay. Also, most Manchurian coal is of the bituminous kind and is not suitable for coking, and for pig-iron production cither Penhsihu coal was used, or else a mixture of this with coal from other fields.[2] This stimulated Japanese interest in the reserves of coking coal in North China, especially those at K'ailan and Tatung. Despite these difficulties and drawbacks Manchurian coal production rapidly increased, and in 1944 may have reached over 30 million tons, or treble that of a decade previously.[3] By that time Japanese shipping losses had reduced exports to Japan *to* a very small amount.

In 1931, there were but few electric power plants in Manchuria and these were mostly thermal-power stations operated by the S.M.R. The development of hydro-electric power presented difficulties owing to the short rainy season and the small volume of water in the rivers. In 1934, surveys were undertaken by the 'Manchukuo' authorities to determine the potential water-power capacity of the country and the points at which hydro-electric schemes could best be initiated. *On* the basis of this survey the expansion plans which formed a part of the general Five-Year Plan were drafted. Meanwhile, in 1934 the Manchurian Electric Power Company was organized to handle the production and transmission of thermo-electric power, apart from the S.M.R.

[1] *Manchuria,* Vol. **II,** No. 3, **February 1937, p.** 79. The Manchuria Coal Mining Co. produced 2 -8 million tons, and the rest came mainly from Penhsihu.
[2] H. Foster Bain, 'Manchuria, a Key Area', *foreign Affairs,* October **1946,** pp. **114-16.**
1 *China* ***Newsweeh, 14*** **November 1946, p. 7.**

concerns. It increased the capacity of the existing plants and built a number of new ones, notably at Fuhsin and Kanchingtze.

In the field of hydro-electric power generation the two chief accomplishments of the Japanese were firstly, the Yalu River Dam and power station at Suiho, near Lakuhsiao, forty miles up-river from Antung. This was a project undertaken in 1937 under the joint auspices of the 'Manchukuo' Government and the Korean Government-General and was intended to supply power to the north Korean industrial region and that of Tungpientao. The work was undertaken by the Japanese Nitrate Fertilizer Manufacturing Company, under the presidency of Mr Noguchi, who had multifarious interests in Korea, and who put up half of the capital sum required. A dam 160 metres high and 850 metres long was constructed to form a reservoir twenty miles long. Seven turbo-generators each with a generating capacity of 92,000 kW were to be installed. By August 1941, the dam had been completed and two of the giant dynamos installed. By January 1943, two more were added, and a fifth in 1944. All five were of Japanese construction. Production in 1944 was therefore around 460,000 kW.

The second huge dam and power station was located at Hsiaofcngnicn on the Sungari river, about twenty miles south-east of the city of Kirin. Here a dam eighty-one metres high and 1,100 metres in length was built during 1937-42 to form a reservoir of 106 miles in length and four-fifths the size of Lake Biwa in Japan. Ten turbo-generators of 60,000 kW each were eventually to be installed. The dam was partly completed and five generators had been received from abroad, two from Germany and three from the United States, at the time of the outbreak of the Pacific War. Two more were being constructed in Japan. Power generation began in 1943, and the capacity increased to about 300,000 kW at the end of 1944.

Apart from these two huge undertakings, the first of which surpassed the famous Boulder Dam on the Colorado River and of which the Japanese were justifiably proud, another large hydro-electric plant was begun in 1942. This was located on the Hun river, in Antung Province near the city of Huanjen. This project involved the construction of two dams each almost as large as the Yalu one. The Japanese also completed in 1942 a power station at the Pilteng Lake, in Mutanchiang Province, with a capacity of 30,000 kW.

In 1944, the Manchuria Electric Corporation was established to control all electrical power plants and transmission, both thermal and hydro-electric. These hydro-electric and thermal power plants may be regarded as the most important contribution which the Japanese made to the industrial development of Manchuria since they supplied heat, light, and power to the chief urban areas and industrial centres on a hitherto unknown scale. In 1944-45 total thermal and hydro-electric production was around three million kW. This made possible the very considerable growth of general industrial undertakings which marked the period of Japanese occupation.

In view of Japan's paucity in oil resources the discovery and exploitation of such oil reserves as Manchuria might be found to possess was of prime importance. Since 1925 the S.M.R. had been developing a process for the distillation of oil from die shale beds at Fushun, and had built a plant for this purpose which began operations in 1930. It was not an ordinary commercial proposition owing to the expensiveness of the process, but the oil produced was taken by the Japanese Navy at prices which enabled a small profit to be made. The by-products of ammonium sulphate, paraffin and coke were also useful adjuncts. In 1935 the production was 65,000 tons of crude oil, 20,000 tons of crude paraffin, 22,000 tons of ammonium sulphate and 16,000 tons of benzine.[1] The Five-Year Plan envisaged a very large expansion of all dicsc products and two new oil-shale installations were built for this purpose. In 1939, the S.M.R. decided to increase production to 500,000 tons of crude oil in 1941, and to double this amount in 1943, but it is doubtful if they ever got more than 300,000 tons a year.

Apart from these activities by the S.M.R., the Manchuria Petroleum Company, a special concern organized to control the production and marketing of petroleum, including imported supplies, conducted an investigation into the natural oil resources and it discovered, in 1939-40, oilfields at Fushun and Dalainor. Test borings were conducted and some oil produced, but there appear to have been no further developments, and it is unlikely that any really large quantities of natural oil exist.

The discovery and exploitation of Manchurian iron-ore resources for the purpose of building up a Manchurian heavy

[1] *S.M.R. Fifth Report* on *Progress in Manchuria,* 1936, p. 102.

industry and of supplying Japan's iron furnaces, was given high priority by the Japanese planners. As a result of extensive and thorough geological surveys the Japanese produced a new and vastly increased estimate of Manchurian iron-ore resources. These were put at around 400 million tons in 1930 and at 2,700 million tons a decade later. Furthermore, while in 1930 it was considered that the bulk of Manchurian ore was low-grade, with an iron content of only 30 to 40 per cent, and with a high silica content, and was thus too expensive to make an iron industry a commercial proposition, the Japanese claimed that their discoveries materially altered this picture. They came across reserves of high-grade ore in the Tungpientao region, notably at Talitzuho, near Linchiang, where they reported an 80-million ton bed, with a 63 per cent iron content, and a smaller one at Chitaok'ou, with an iron content of 53 per cent. Freedom from sihca and other impurities and proximity to supplies of coking coal at Tiehchangtzu, a place fifteen miles south-east of Tunhua, constituted further important advantages. The Japanese in 1938 established the Tungpientao Development Company and planned to construct blast furnaces and iron foundries on a large scale in Tungpientao. Some small smelting furnaces were reported to be working in 1943. But shortage of materials and the exigencies of war-time compelled the shelving of the more ambitious plans and concentration *on* iron-ore and coal mining for use at Anshan and in Japan.[1] The Japanese undoubtedly secured large quantities of coal and iron-ore from Tungpientao during 1941-44.

Even if Japanese estimates of Manchurian high-grade iron-ore resources are accepted, it still remains true that diese reserves are modest in relation to the needs of a really large iron and steel industry, although significant in proportion to Chinese actual production in the near future. But the Japanese also made important contributions to the technique of treating the much more extensive low-grade ores. The S.M.R. had been experimenting on this since 1918 but up to 1930 progress was slow and fluctuating, and the enterprise was generally unprofitable. It was carried on by the S.M.R. at the Anshan Ironworks, located south-west of Liaoyang. Here in 1909 extensive iron-ore fields were discovered, but most of the ore is low-grade with a high silica and iron oxide

[1] The Tungpientao coalfields are about loo miles from Anshan and constituted much the nearest source of good coking coal.

content, and not responsive to the magnetic separation processes employed in Europe and America. It was not until die S.M.R. experts devised a special 'roasting* process that this difficulty was surmounted.[1]

In 1932, the S.M.R. began the execution of plans which it had previously drawn up for the expansion of pig iron production and for the erection of a steel plant. These schemes had temporarily been dropped owing to the world depression. In 1933 the Anshan Ironworks were reorganized and re-incorporated as the Showa Steel Works, a special concern with an initial capital of Y. 100 million, and the planned annual production was increased to 400,000 tons of pig iron and 350,000 tons of steel ingots. A steel plant, provided with German equipment, was completed in March 1935, and production of steel began *in* that year. Despite the difficulties experienced in securing an adequate supply of coking coal, the pig iron production was increased to 700,000 tons and that of steel ingots to 500,000 tons in 1937. At die end of that year Mangyo acquired a controlling interest in the Showa Works. Far-reaching plans of expansion were then put in hand to meet the requirements of the Five-Year Plan, and, although these could not be entirely realized, production was steadily increased and the plant greatly expanded. In 1944 the Showa Steel Works had a production capacity of some 2 million tons of pig iron and 1 • 2 million tons of steel ingots. Owing to difficulties in securing an adequate supply of coking coal the actual production was considerably less than the capacity production. A similar expansion, although on a smaller scale, took place at the Penhsihu Iron Works, an adjunct of the collieries there. This plant also came under the control of Mangyo in 1937, and its pig iron capacity was increased from 150,000 tons to 650,000 tons in 1942.

In addition to their expansion of production capacity, the Japanese put the Manchurian iron and steel industry on a paying basis by their technical improvements in the roasting and sintering of low-grade ores. According to the expert opinion of H. Foster Bain, these achievements mean that this Manchurian industry, provided *it* is efficiently administered, can effectively hold its own, and is in a strong competitive position in relation to other iron and steel producing centres.[2]

[1] *Contemporary Manchuria,* Vol. II, No. 1, January 1938, pp. 61-68.
* H. F. Bain, loc. cit., p. 116.

Industrial Policy and Development

The Japanese expended considerable energy and capital in the location and exploitation of other minerals. They vested the ownership of such minerals in the State, and established Mining Inspectorates, as organs of the 'Manchukuo' Department of Industry, in Hsinking, Mukden, Tsitsihar, and Chengteh. Prior to 1931, coal, iron-ore and gold were the only minerals being exploited in Manchuria. During the first decade of their occupation of Manchuria the Japanese paid especial attention to the development of gold production, both mined and alluvial. They established in 1934 the Manchurian Gold Mining Company to exploit the important gold-producing regions of northern Manchuria. Increase in gold production was given an important place in the first Five-Year Industrial Development Plan. The reason for this was the need for an adequate metallic backing for the 'Manchukuo* yuan and for an increase in its foreign exchange assets. But after 1941 these considerations became less important, and expansion in gold production was sacrificed to more immediately pressing needs.

The utilization of alumina shale and fire-clay deposits was of primary importance to the Japanese because of the lack of bauxite in their 'Inner Zone'. The main shale and fire-clay deposits occur between the coal strata at Yentai, Penhsihu, Niuhsintai and Msiaohsin, though the Japanese located other reserves in the Kwantung Leased Territory, and in Fengt'ien, Chinchow, Antung, and Jehol provinces. The S.M.R. Company discovered how to process the alumina shale and the Manchuria Light Metals Company was set up in 1936, with a capital of MY. 25 millions, to mine and process the alumina shale. A smelting plant was built at Fushun in 1938 and another *in* 1941. In 1943, the Manchuria Light Metals Company had its capital increased to MY. 200 millions and undertook further expansion of its equipment. In 1944, the Fushun plants were believed to be producing 48,000 tons of alumina, from which they were making 18,000 tons of finished aluminium. Another aluminium reduction plant was being built at Antung during 1944-45. The Japanese strained every nerve to increase the production of aluminium for their aircraft industry, especially after the loss of the bauxite resources in the Paiau Islands. In view of the low content of aluminium in the alumina shale and of the expensive character of the smelting and reduction process, the prospects of this industry in time of peace would in any case have been dubious. The Japanese were also active in the discovery and exploitation of fluorspar and graphite deposits, as essential adjuncts to their steel and aluminium industries.

Manchuria possesses one of the world's richest deposits of magncsite, located in Fengt'ien Province, from Tashihchiao to Haicheng. The Showa Steel Works, the Manchurian Light Metals Company, the Japan-Manchuria Magnesium Company and the Manchuria Magnesium Industry Company all participated in the extraction and refining of magnesite. The Japanese hoped to produce 6,000 tons of magnesium annually in Manchuria, apart from exports of magnesite to Japan, and they may have come somewhere near this figure.

In 1939, the Japanese reported the discovery of a rich vein of molybdenum, at Tapeiling, near Hulutao in Chinchow Province, and undertook mining operations in subsequent years. Smaller deposits were also reported in the northern and eastern provinces. The Manchuria Lead Company, which had stumbled upon the molybdenum vein at Tapeiling, was entrusted with its exploitation and built a refinery in Hulutao during 1941-42. Another refinery was established in Mukden. Tungsten and vanadium deposits were also discovered in Antung and Jehol provinces in 1940, and plants were constructed for their exploitation. The Japanese were equally active in exploiting the lead, zinc, and copper resources in Antung, Chientao, and Chinchow provinces. No figures of production were revealed, but in 1944 it was believed that these were approximately 25,000 tons of lead, 20,000 tons of zinc, and 4,000 tons of copper. They also discovered uranium near Haicheng, in Fengt'ien Province, and started mining operations. The deposits are apparently not large and the Japanese in two years were able to produce only about two tons of uranium concentrates.[1]

While the Japanese, especially in view of the exigencies of war, devoted their principal efforts to developing Manchuria as a supplier of minerals and metals to Japanese manufacturing industries in the homeland, the period of their occupation also witnessed a marked increase in manufacturing in Manchuria itself. The principal developments occurred in the chemical and in the metal and machinery industries. The two chief industrial centres were Mukden and Dairen. In addition to the growth in

[1] New *York Herald Tribune,* 21 January 1947.

the production of chemical by-products at Anshan, Penhsihu and Fushun, in 1933 the Manchuria Chemical Industrial Company was established, with a capital of MY.25 millions. This concern in 1935 completed a factory at Kanseishi, near Dairen, for the production of sulphate of ammonia, and sulphuric acid for fertilizers and explosives. In 1939, the Manchuria Ammonia Sulphate Company was established, and in 1941 constructed a plant in Hnlutao Island, but appears to have encountered difficulties in production, due to the shortage of iron pyrites. The Manchuria Soda Company, established in 1936, engaged in the manufacture of soda ash and caustic soda, utilizing the large Manchurian resources of brine salt. It set up plants in Dairen, Mukden and K'aiyuan, and made the country independent of imports of these commodities. In 1938, the Electro-Chemical Industrial Company was organized as an official concern for the manufacture of acids and calcium carbide. It had as a subsidiary the Manchuria Synthetic Rubber Company, which during 1942-44 built a synthetic rubber plant at Kirin.

In 1936 the Japanese began the construction of a new arsenal at Mukden. This, when completed, employed some 20,000 workmen and produced small arms and ammunition, rocket mortars, tank accessories, and aircraft parts. There were reported to be a number of smaller arms factories in Manchuria which produced chiefly light guns, small arms and ammunition, and explosives. The Manchuria Airplane Company was established in Mukden in 1938; it was, during the first years of its existence, confined to supplying parts and repairing aircraft, but in 1944 was reported to be manufacturing new aircraft, in conjunction with a nearby aircraft engine works. The Dowa Automobile Company, escabished in 1934, had a somewhat similar history; it was at first only an assembly plant but in 1939 acquired from America machinery which made possible the construction of new cars, and was reported to be producing lorries and other vehicles during the war years.

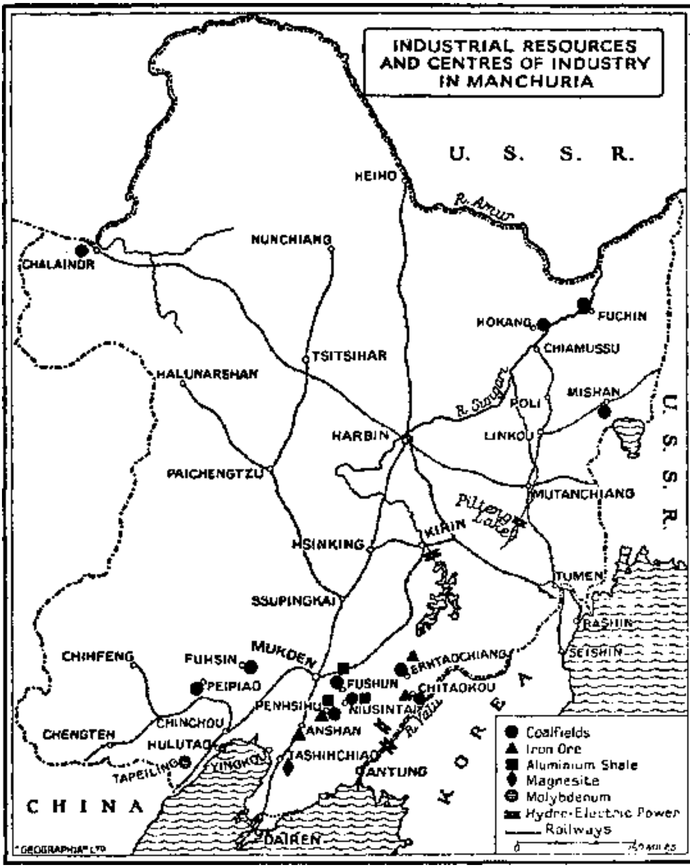
The growth of pig iron and steel ingot production stimulated the growth of companies in Manchuria for the utilization of these products. At the end of 1940 there were thirty-five firms established in Dairen, Mukden, Hsinking, Anshan, Fushun and Fuhsin, who were producers of machine-tools, general machinery, electrical engineering equipment, boilers and engines, bridging materials, water and gas pipes, refrigerating and heating plants, ball and roller bearings, and equipment for radio, telegraphic and telephonic communications.[1] The Mukden Machinery Company and the Dairen Machinery Company were the two largest; most of the others were small concerns.

The rapid growth in the size and population of Manchurian cities caused a boom in constructional industries. Before 1931, the only cement works was that on the outskirts of Dairen, which belonged to the Onoda interests. The Penhsihu Ironworks produced cement as a by-product for its own requirements. At the end of 1939 there were eleven cement works with a total annual productive capacity of 2-i million tons.[2] They were probably not actually producing anything like this amount. Some of the existing factories were enlarged and new ones were built during 1941-44. The distribution of cement was handled by an official corporation which directed supplies only to approved war industries.

During 1932-39 a large-scale cotton manufacturing industry was developed under Japanese auspices. In June 1939 there were eleven large cotton mills in Manchuria, located at Mukden, Chinchow, Liaoyang, Yingkow and in the Kwantung Leased Territory.[3] They had some 480,000 spindles and 9,663 looms. As Japan cut down her own cotton industry to free labour for the munitions industries, there was talk of transporting idle plants *to* Manchuria. But the Manchurian mills were suffering from a chronic shortage of cotton, so that the already established mills were working short time. It was, therefore, of small use for Japan to transfer mills to Manchuria where they would still be idle. Little appears *to* have been done; in 1947 Chinese sources reported eleven mills in Manchuria, with a total spindlage of about 550,000; not much, if any, increase over 1939.[4] The production of textiles was quite inadequate to meet the domestic demand, and the populace suffered severely.

In general, the Japanese had built up in Manchuria an industrial potential which was far ahead of anything which existed elsewhere in Eastern Asia, exclusive of Japan herself and of the Soviet Far East. They had given primary emphasis to production for war purposes even before 1941, and some of the industrial and mining

[1] *The Far East Year Book,* **1941, p. 825-6.** *** ibid., p. 806.** **"ibid., p. 804.**
*** *China Newsweek,* 29 May 1947, p. 6.**



enterprises were uneconomic if judged from the standpoint of ordinary peacetime competitive costs. Furthermore, they had very largely integrated Manchurian industry to that of Japan. In the main, Manchurian mineral and metallic products were exported for manufacture or for finishing in Japanese factories. While unskilled labour was drawn mainly from the Chinese coolie population of Manchuria and north China, the managerial and technician groups were exclusively Japanese. Thus the collapse of Japan would in any case have largely disrupted Manchurian industrial economy and China is too backward in industrial development to have hoped to take Japan's place. Yet, had Manchuria reverted intact into Cliinese hands, there would have been a good deal of engineering, constructional and consumers' goods industries which, with outside financial and technical assistance, would have aided China to repair the ravages of war.

CHAPTER IX

Agrarian Policy and Development

THE agrarian policy of the Japanese in Manchuria had the following main objects: the encouragement, for both political and economic reasons, of Japanese and of Korean settlement on the land;[1] the limitation, from the same motives, of such settlement by Chinese; the execution of a comprehensive survey of land tenures, with political and financial objectives; the erection of a system of purchasing controls; and the encouragement of such agricultural and pastoral activities as would best suit Japanese needs. These special aims were given precedence over any attempt to raise Manchurian productivity in general food crops, at least until 1939, when the consequences of the protracted China hostilities upon Japan's own agrarian economy, as well as the outbreak of the European war, gave Manchuria a new importance as the 'granary of East Asia.'

The first steps towards limiting Chinese immigration into Manchuria were taken in 1932 when the specially reduced immigrants' fares on the railways were abolished, and the Fengt'ien provincial authorities were instructed to refuse entry to persons who lacked proper passports or who were without funds. 'Manchukuo* Government Regulations of 17 February 1933 prohibited the entrance of persons of extreme poverty, and those who were suspected of plans to disturb the public peace. The Japanese asserted that such measures were necessary to check the inflow of disguised soldiers, Communists, and anti-'Manchukuo' propagandists, but admitted that for some time adequate enforcement machinery was lacking.[2] In January 1934, a Labour Control Commission, composed of representatives of the Departments of Civil Affairs and Defence of the 'Manchukuo' Government, the Kwantung Army, the Kwantung Leased Zone administration, the Korean Government-General, the Japanese Embassy in Hsinking, and the S.M.R. was formed to study the whole question of immigration and reported in favour of the control and limitation

[1] **See Chapters IV and V.**
[2] ***S.M.R, Fifth Report on Progress in Manchuria,* 1936, p. 122.**

of Chinese immigration, and its direction to specified activities. This was followed by the establishment on 1 April 1933, of the Tatung Kungssu, with headquarters at Tientsin and branches at Shanhaikuan, Tsingtao, Chefoo, Weihaiwei, and Dairen. Its task was to examine prospective immigrants, and to issue passports *to* those whom it considered were safe to admit. The Company was at first ill-regarded by both the Chinese and the Japanese local authorities, but it gradually secured recognition, and in 1935 underwent reorganization and expansion. In March 1935, the 'Manchukuo' Government issued fresh regulations to govern both the admission of immigrants, and the direction to specified activities of those who were allowed to enter.

The consequence of the upheaval which accompanied the Japanese seizure of Manchuria and of the subsequent restrictions upon the immigration of Chinese coolies was a great falling off of Chinese immigration and settlement during 1931-39, as compared with the previous eight years. During 1931-38 inclusive, 3-9 million Chinese entered Manchuria and 3•3 millions left the country, which meant a net immigration of 600,000.[1] hi 1932 there was a net loss of 84,000; but by 1934 there was a net gain of 251,000; in 1935 this was cut down to 24,000; and in the succeeding year there was a net loss of 8,600. In 1937, the net immigration was 60,000 and *in* the next year it rose to nearly 240, *ooo,* which illustrates the demand for labour in the growing industrial areas. But even more striking than the falling off of the volume of Chinese immigration and settlement is its change of emphasis, under Japanese direction, from agricultural to industrial occupations; thus in 1935, out of 358,000 immigrants, 56,000 were employed in agriculture; in 1937 the comparable figures were 319,000 and 50,000, and in 1938, 492,000 and 27,000. From 1938 onwards the demand for industrial labour in Manchuria grew apace and was greatly stimulated by war needs after 1941. The Tatung Kungssu, which had a free hand after the Japanese invasion of North China in 1937, became a recruiting agency for the Manchurian Government. As a result of such recruiting drives and with the stimulus of cheap travel rates once more in operation, the number of Chinese immigrants, voluntary and involuntary, again passed the annual million mark during 1942-44. But, although

[1] **In round numbers. Based on statistics of S.M.R. Economic Research Bureau, in** *Reports on Progress in Manchuria,* **1936 and 1939.**

figures of occupational distribution are lacking, it is clear that the bulk of the new immigrants was directed into urban occupations. Thus the tide of Chinese agrarian settlement was sharply checked during the whole period of the Japanese occupation of Manchuria.

In the heyday of the Ch'ing dynasty landholding in Manchuria was on a feudal basis. The Emperors reserved certain areas to themselves for agricultural or hunting purposes, and granted others as feudal manors either to princely relatives, or to the lesser Manchu nobility. These were hereditary estates wliich were cultivated by serfs and which were not supposed to be alienated. There were also certain public lands, temple lands, and common pasture lands. Long before the fall of the Ch'ing dynasty this system was breaking down in face of Chinese immigration and the development of a commercialized agriculture. The Manchu and Mongol bannermen could not be prevented from selling their patrimony and this practice the Imperial Government had ultimately to recognize. There was also much unauthorized 'squatting'. After the fall of the Manchu Empire tins breakdown of the old feudal and manorial systems went on apace, but their vestiges still remained in 1931 so that land tenures in Manchuria were extremely complex and often conflicting. Also the area of unregistered and unrecorded lands, called *fu tuo ti,* greatly exceeded the registered area, because many landowners never registered their title deeds in order to avoid the land tax.[1] In May 1932, the 'Manchukuo' Government established a Land Bureau in the Department of Civil Affairs in order to make preparations for a new land survey. Presumably on account of disturbed conditions, it was not until August 1935 that a further step was taken by the foundation of a Special Land Investigation Committee, and the deliberations of this body resulted in the organization of the Cadastral Adjustment Bureau in March 1936. The importance attached by the Japanese to the work of land surveying and adjustment is revealed by the fact that this organ was one of the bureaux of the all-powerful General Affairs Board, and had branches in each province and sub-branches in each city, hsien and Mongol Banner. At the same time a Land Investigation Law was promulgated, followed by a Real Estate Registration Law in September 1937. In the latter year a five-year plan was drawn up under which some 188,470

[1] *Contemporary Manchuria,* Vol. II, No. 5, September 1938, p. 125.

square kilometres of land were to be adjusted during 1937-41.[1]

The professed objects of these measures were to secure a complete and accurate land survey, and to make the incidence of the land tax more equitable than previously had been the case. A resurvey carried out solely with these ends in view would be both just and necessary. But cadastral 'readjustment* could also be a powerful weapon in the hands of the regime in a country where there were so many unregistered holdings, and where the validity of many title deeds could be called in question. The Japanese publication *Contemporary Manchuria* remarked that there were 'many cases of persons having title-deeds but possessing no lands, or vice-versa, and of two landowners to one land, which has been the cause of constant disputes' as well as 'large tracts of land whose owners are unknown, and lands where the individuals responsible for their management are absent'.[2] It also said that the Government was pursuing the policy of 'treating the lands whose area is equal to the area of (i.e. shown in) title-deeds, as the private property of title-deed holders, and of giving preference to the holders of title-deeds in the Government sale of *fu tuo* fr*.'[3] This would appear to mean that a landowner who had not registered all of his holding would lose the unregistered portion unless he paid the Government's price for it. If applied solely for the purpose of punishing evaders of the land tax this would not be unfair, but it would also give opportunities for rewarding collaborators, punishing those who adhered to the Chinese national cause, and of facilitating the acquisition of land by the Japanese and Korean colonization companies. It will be recalled that 1936, the year of the organization of the Cadastral Adjustment Bureau, was also that of the initiation of die Japanese mass colonization project.[4]

The 'Manchukuo' regime had initially acquired much land through the confiscation of the extensive estates of the 'Young Marshal', Chang Hsueh-liang, and of other wealthy officials of the former regime who joined their master in exile, and who refused to be tempted back. The value of the property, real and personal, which the 'Manchukuo' Government declared was forfeit for 'treason' was estimated at a hundred million Chinese dollars.[6] The

[1] *Contemporary Manchuria,* Vol. II, No. r, September 1938, p. 131.
* ibid., p. 129.
* ibid., p. 125.
* See Chapter VI.
* *New York Times,* 23 **September 1934.**

methods by which additional land was acquired for the purposes of Japanese and Korean settlement are illustrated by what happened in the Ilan district of the Lower Sungari in the spring of 1934. All the landowners in this district were required to submit their titles for registration in connexion with the land survey. This caused general alarm, since the report spread that it was part of a plan to acquire more land for Japanese and Korean immigrants because the Japanese wished to have only their own subjects in this region through which the Link'ou-Chiamussu railway was to run. Furthermore, many of the landowners had no title deeds and they found that the officials were unwilling to issue such documents to them but instead urged them to sell their holdings. As the Chinese landowners considered the price offered to be entirely inadequate they refused, and the upshot was a general peasant revolt organized by the local branch of the 'Red Spears' Society. A number of Japanese and 'Manchukuo' officials lost their lives, and two detachments of Japanese troops were cut up before the rebellion was suppressed.[1] The Japanese admitted that a revolt had occurred although they declared that the foreign Press accounts of it exaggerated its seriousness, and the casualties incurred on both sides. Even if this were so, and making due allowance for the readiness of disaffected elements to stir up trouble, by spreading malicious rumours among a peasantry traditionally suspicious of any authority and nervous of any census or land survey measures, the affair throws some light on the workings of the Cadastral Adjustment Bureau.

Although the woes of the tenant farmer and agricultural labourer in Japan were a frequent theme of anti-capitalistic Japanese Army publications, and although the evils of high rents and excessive usury rates in Manchuria were dilated upon in Japanese descriptions of the agrarian situation in that country, the Japanese did not attempt to touch the structure of rural society. They estimated that some 50 per cent of the Chinese farming families were cither wholly or partly tenant farmers and that their living standards were being worsened by the burdens imposed upon them by the landlord-usurer class. They pointed out that the numerous small farmer owners often fell into debt and forfeited their lands through mortgage foreclosures. They declared, accurately enough, that the average Chinese farmer could not afford the cost of

[1] *New York Times*, 2 June 1934.

improved agricultural methods, and that the greater landlords were not interested in effecting improvements but preferred to make money by the time-honoured methods of speculation in land or in crops and by usury.[1] But the Japanese masters of Manchuria did nothing direct to enforce a reduction of rents or of usury, or a division of the greater landed estates. For this inactivity there were two reasons: in the first place, they could not have touched the larger landowning interests without alienating their Chinese collaborators; in the second place, the Kwantung Army looked to the improvement of agricultuial conditions through the agency of the Japanese and Korean settlers rather than through that of the Chinese farmers. The Japanese Army leaders were concerned with military rather than with economic objectives, and they eschewed what might have proved the sounder policy of promoting agrarian reform among the Chinese inhabitants, and so of raising their living standards, for that of fostering the exotic growth of Japanese colonization.

The disturbances which resulted from the Japanese seizure of Manchuria severely accentuated the depressed conditions in Manchurian agriculture, which had set in after 1929 in consequence of the world economic depression, and the collapse in the market-values of Manchurian agricultural export staples. The extent of the price recession may be illustrated by the following index figures of soya bean prices in the London, Dairen, and Harbin produce markets:

TABLE XIV

MARKET PRICE INDICES OF MANCHURIAN SOYA BEANS*
(Year 1922=100)

Year	*London*	*Dairen*	*Harbin*
1929	133	140	130
1930	128	123	86
1931	I16	104	79
1932	109	98	87
1933	88	79	64
1934	103	104	95
1935	134	138	137
1936	153	144	157

[1] Sec, for example, the *Japan-Manchoukuo Year Book*, 1939, pp. 753-7.
[2] *Contemporary Manchuria*, Vol. Ill, No. 2, April 1939, p. 17.

It will be observed that 1933 was the worst year, and that the depression was especially catastrophic in north Manchuria which suffered even more severely than the southern half of the country. Soya bean production naturally diminished in consequence, but it is interesting to observe that, although world prices recovered after 1933, the production of soya beans in Manchuria did not show a corresponding increase, but on the contrary was sharply reduced during 1934-35, and that the same was true of other agricultural products.

TABLE XV

OUTPUT OF PRINCIPAL CROPS, 1929-37[1]

(in million metric tons)

Year	*Soya Beans*	*Kao-Hang*	*Millet*	*Maize*	*Wheat*	*Rice*	*All Crops*
1929	4-84	4'68	3*35	0'6l	1*30	0-29	18-06
1930	5*26	4*77	3'27	1-58	1-35	0-31	18-67
1931	5-22	4'5i	2*94	1-71	1-58	0'3I	18-48
1932	4*43	3*72	2-58	1-52	1*07	0'25	15*39
1933	5*20	4*22	3*27	1-86	1-42	0-34	18-47
1934	3'59	3-58	2-09	i-60	0-65	0-31	13*43
1935	3*88	3'97	3-03	1-82	0-94	0*42	15-70
1936	4-14	4-24	3-18	2-07	0-95	o-44	16-82
1937	4*17	4-09	3-i8	2*12	1-07	0-52	16-85

The failure of Manchurian agriculture to respond to the recovery of prices after 1933 was due to a variety of causes. The initial fighting which occurred during 1931-32 caused widespread economic and financial dislocation. Furthermore, it adversely affected the traditional marketing organizations. The Manchurian farmers sold their crops to the local liang chan, or grain storehouses. These were wholesale grain dealers and storers; they made monetary advances to the farmers on the security of their crops and they resold the corn to the larger urban liang chan, where it was disposed of to the yufang or exporters' associations.

The liang chan themselves were financed largely by the greater landowners and merchants, and a considerable proportion of this mercantile capital took flight in consequence of the Japanese

[1]*S.M.R. Fifth Report on Progress in Manchuria,* 1936, p. 164; *S.M.R. Sixth Report on Progress in Manchuria,* 1939, p. 156. These are 'Manchukuo' official statistics and represent estimates rather than actual crop production.

seizure of the country. Widespread bandit and guerrilla activities added to the general insecurity and distress in the rural areas, as also did Japanese protective measures which included the destruction of villages suspected of harbouring bandits, and also the prohibition of planting in the vicinity of the railway lines. All these adverse factors stimulated a drift of rural labour to the towns where employment was plentiful, owing to industrial expansion and constructional activities fostered by the Japanese. Since the number of Chinese immigrants into Manchuria was sharply curtailed and most of those who were allowed entry were drafted into the towns, a shortage of rural labour for sowing and harvesting developed. Consequently, the growing urban population suffered from a scarcity of food supplies accompanied by a rise in the cost of living.

The general programme of economic reconstruction formulated by the 'Manchukuo' regime in 1933, included a declaration that 'proper guidance and encouragement will be given to the cultivation of soya beans, kaoliang, millet and maize, which constitute the staple products of "Manchukuo", so as to improve their qualities and increase their output.'[1] But the practical measures taken were insufficient to achieve these desiderata, and were adversely affected by other aspects of agrarian policy.

Until the Government reorganization of 1940 there was no separate Ministry of Agriculture, and agricultural matters were supervised by one of the eight bureaux of the Department of Industry. This was the Bureau of Agricultural Affairs; there was also a Bureau of Livestock Farming and a Bureau of Forestry, so that the general term 'industry' (yeh shih) as applied to this Department should be taken in its widest sense. But, even so, it is clear that Japanese attention was focused upon the development of mining and manufacture, and upon the fostering of special colonization schemes, and that there was very little money available for the amelioration of the conditions of the Chinese farming communities. In the first year of the regime emergency rehef loans were made to distressed farmers by the Central Bank of Manchu, which issued some 20 million dollars during 1933-34, after which its work was taken over by the Rural Credit Associations. The first of these took shape in 1932, and two years later a general law was passed to regulate the organization of these

[1] *S.M.R. Fourth Report on Progress in Manchuria,* 1934, p. 2of.

bodies and to group them in a central federation. By the end of 1935 there were eighty-two of these associations, with 89,143 members, whereas by the end of 1938 there were 126 societies with 514,468 members.[1] This represented a rapid growth under official encouragement, but one which still affected only a small proportion of the agrarian community. Deposits grew from 2* 1 million dollars in December 1935 to 19*8 million dollars in December 1938, and loan issues from 6* 3 million to 27-1 million dollars. The loans were made on the security of landed property or on the guarantee of a reliable third party; they therefore did not operate to alleviate the burdens of the tenant farmer or the agricultural labourer, although in so far as they aided the small owner farmer to keep his head above water and to avoid being forced into the ranks of the depressed tenantry they performed a valuable function.

Other Government measures included the establishment of agricultural experimental and meteorological stations, in addition to those already maintained by the S.M.R. These distributed improved varieties of seed and in other ways endeavoured to foster better quality crops. In June 1935, the Manchurian Agricultural Products Institute was established to act as a central clearing organ for exporters, to aid in the improvement of agricultural products, and to facilitate their export. The establishment of State-supervised warehouses and marketing organizations to some degree replaced the liang chan, or compelled their merger with larger and economically sounder bodies.[2] Other more indirect stimuli were the reform of the currency, the conclusion of the trade agreements with Germany, and the acquisition of the Chinese Eastern Railway, which, according to the Japanese, had charged prohibitive freight rates, and so had badly hampered the movement of agricultural products in north Manchuria. In 1936, there was a general reduction in freight rates for the professed purpose of promoting agricultural exports, but the reductions were so manipulated as to favour transport via the north Korean railways, and to benefit the frontier areas of Japanese settlement.[3] They did, however, represent a very material lowering of the charges formerly imposed by the C.E.R. for transport on its own lines or

[1] *S.M.R. Sixth Report on Progress in Manchuria,* 1939, pp. IJI-2.
* *Contemporary Manchuria,* Vol. II, No. 4, July 1938, pp. 62-3.
' Kirby, op. cit., p. 211.

through traffic with the S.M.R.,[1] and would therefore benefit the north Manchurian agricultural interests.

But the chief aim of Japanese agrarian policy in Manchuria was to force on the development of special crops, such as cotton, rice, beet sugar, oats, barley, kenafe (Manchurian hemp) and flax, as well as perilla and castor-beans, for lubricating oil. The stated purpose, at least in publications intended for foreign consumption, was to promote diversified farming so as to lessen the dependence of the Manchurian farmer upon soya bean exports for his profits. While this motive may not have been entirely spurious, the main object was to promote the quasi war-time economy, and to further the development of the Japan-'Manchukuo' economic bloc as a unit self-contained in raw materials useful for war purposes.

Although most of Manchuria lies too far north to be climatically suitable for cotton production, a certain amount of native cotton had always been raised in the warmer regions of south Manchuria. The native cotton is not suitable for spinning unless mixed with American cotton, and is used chiefly for padding winter garments and similar purposes. Since 1906 the S.M.R. had included among its multifarious activities experiments in the growing of improved types of cotton plant, and had introduced American upland cotton. The increase of cotton planting and production was given high priority by the 'Manchukuo* authorities, who, in 1933 formulated an ambitious Twenty-Year Plan for the expansion of the cotton area to 300,000 cho, or 735,000 acres, and of production to 150 million kin (1 kin—1-32 lb.). In April 1933, the Manchurian Cotton Association was organized to promote the cultivation of cotton by the Manchurian farmers and a year later the Manchurian Cotton Company (Manshu Menka Kungssu) was established, with an initial capital of 2 million yen, as an official monopolistic purchasing and marketing agency, and as an organ of financial and technical assistance to cotton planters. The existing S.M.R. experimental stations were enlarged and the 'Manchukuo' Government established new ones. The Manshu Menka Kungssu distributed free seed to the farmers and loaned them cotton gins; it also borrowed money from the Central Bank which it loaned to the cotton planters at six per cent interest per annum. The results during 1933-37 may be seen from the following tables, compiled

[1] *S.M.R. Fifth Report on Progress in Manchuria,* 1936, p. 61.

by the S.M.R. Research Department from a survey conducted by the Manshu Menka Kungssu and the Manshu Kcizai Nenpo (Manchuria Economic Yearbook) 1937:[1]

TABLE XVI

AREA OF LAND UNDER COTTON CULTIVATION
(in cho)

Province	1933	1934	1935	1936	1937
Fengt'ien	28,444	57,039	35,390	45,120	59,893
Chinchow	18,299	33,488	19,962	34,105	39,533
Jchol	5,127	2,179	1,593	3,134	3,760
Antung	579	159	24	50	55
Kirin	38	2	—	—	—
Total.	52,487	92,867	56,969	82,409	103,241

TABLE xvn

PRODUCTION OF RAW COTTON[8]
(in 1,000 kin)

Province	1933	1934	1935	1936	1937
Fengt'ien	56,222	93,951	40,572	51,688	76,106
Chinchow	34,180	42,288	20,686	40,179	50,234
Jehol	6,258	2,561	2,239	3,738	4,78i
Antung	753	IOI	17	4i	70
Kirin	34	l	—	—	—
Total	97,447	138,902	63,5H	95,646	131,191

The Japanese attributed the great falling off in 1935 to spring drought followed by unseasonable cold in the autumn, and said that, as a result, the Twenty-Year Plan was shelved and a three-year investigation into fundamental conditions was instituted.[3] It is doubtful whether climatic vagaries were the sole cause of the shrinkage in both area and production; the Cotton Control Law and the establishment of an official purchasing monopoly in 1934 may well have rendered cotton growing less profitable for the farmers. Most of the cotton was of the native variety, although

[1] *Contemporary Manchuria*, Vol. II, No. 5, September 1938, p. 26.
[2] ibid., p. 27.
[3] *S.M.R. Fifth Report on Progress in Manchuria*, 1936, p. 8j.

the production of upland cotton rose from approximately 6-5 million kin in 1933 to some 13-5 millions in 1937 and that of improved cotton from a mere 2,000 kin in the former year to 2 miUion kin in the latter. The amount of ginned cotton from Manchurian fields increased from about 3 million kin in 1933 to nearly 10 million kin in 1937. Exports of raw cotton were a mere 1,800 kin in 1933; they reached about 500,000 kin in 1935 but fell off to almost notliing in the following year, and were only about 90,000 kin in 1937.[1] This was a mere drop in the bucket compared with Japan's annual importation of raw cotton, which averaged about 1,000 million kin during this period. In 1937 Manchurian imports of raw cotton were some 50 million kin, apart from a substantial import of cotton goods. Thus the production of cotton in Manchuria for the modern cotton textile industry was scarcely beyond the experimental stage in 1937. In that year the Five-Year Plan of General Industrial Development included the cultivation by 1941 of 250 million kin of cotton, and, while after their invasion of China south of the Great Wall the Japanese looked mainly to this area as the main source of cotton supply for the Greater East Asia economic bloc, they continued to encourage cotton growing in Manchuria by a mixture of inducements and threats. On the one hand, bounties were given for cotton growing and prices raised; on the other, the growers were set production targets, with penalties, including the discontinuance of rationed supplies of consumers* goods from the cities, if the target figures were not achieved.

Another prime objective was the increase of Manchurian rice production. This was intended both to supply the Japanese and Korean inhabitants of Manchuria and to provide a surplus for export to Japan, so as to meet, in conjunction with Korean and Formosan supplies, the needs of her growing population. Rice grown in Manchuria could also provide a nearby source of supply for the Japanese armed forces in Manchuria and north China. Although the Chinese farmers in southern and eastern Manchuria produced a certain amount of upland rice, the chief agents in the growth of both upland and paddy rice were the Koreans. These were far more skilful in the necessary irrigation methods than were the northern Chinese immigrants, who, unlike their compatriots in central and southern China, were not rice-growers. In

[1] On the basis of figures compiled by the S.M.R. Research Department.

1936 the Koreans were responsible for nearly 90 per cent of the rice production of Manchuria. But despite the official encouragement given to rice production and the increase in Korean and in Japanese rural settlement, Manchuria in 1937 was not entirely self-sufficient in rice, much less an exporter of any consequence. The influx of Japanese and Korean urban dwellers far outweighed the increase in home-grown rice, which rose from 312,190 metric tons in 1930 to 523,700 tons in 1937. During the period 1933-37 the average annual exports of rice and paddy from Manchuria were only 2,248 metric tons, whereas average annual imports were 65,961 metric tons.

Manchuria is normally a large importer of wheat flour, the average annual importation during 1933-37 being 503,000 metric tons, which was nearly 40 per cent of the country's total requirements. Wheat production in Manchuria has to contend with some unfavourable climatic factors; it is in the main a north Manchurian crop, and often suffers from drought and sand-storms in the spring, and from unduly heavy rainfall, or early frosts during the ripening season. Primitive methods of cultivation and lack of irrigation are further drawbacks. Furthermore, Manchurian wheat is not as suitable for flour milling as are the Australian and North American varieties, owing to its lighter weight and higher water content.[1]

North Manchuria was comparatively neglected during the first years of the 'Manchukuo' regime; this may have been in part deliberate policy so long as the U.S.S.R. had a stake in that region in the possession of die C.E.R. But in 1936 the 'Manchukuo' authorities, disturbed at the country's growing adverse balance of trade, began to pay more attention to the possibility of increased wheat production and to the flour-milling industry. A Five-Year Wheat Production Plan was devised, as part of the general Five-Year Plan, with the object of increasing the area sown with wheat to 1,770,000 hectares and the production to 2 million metric tons in 1941. The wheat area in 1936 was 1,094,000 hectares and the production 959,000 metric tons. After 1936 the 'Manchukuo' Government endeavoured to stimulate production by die establishment of experimental seed farms and the distribution of their products to the wheat farmers, by raising the duties on imported wheat and flour, and by loan and bounty aids. But its establish-

[1] *Contemporary Manchuria,* Vol. HI, No. 2, April 1939, pp. 29-30.

ment of official purchasing organizations and attempts to fix prices in 1938 were deterrents to increased production, nor, without adequate facilities for irrigation and mechanization, could any very great increase be expected. Consequently, wheat production, which in 1935 was about 1,000,000 metric tons, fell to 964,000 metric tons in 1938 and to 949,000 in 1939.[1] The planned production figures were 1,158,000 tons for 1937, 1,247,000 for 1938, and 1,519,000 for 1939.

Of the other specialized crops, beet sugar, stimulated by the efforts of the Manchuria Sugar Refining Company, which began cultivation in 1936, expanded rapidly and was said to have reached 241,000 metric tons in 1939.[2] The cultivation of an improved variety of tobacco plant had risen from 4,000 *to* 14,000 metric tons during 1935-39, and of flax from 5,800 to 48,000 metric tons during the same period. Castor bean production, important as a source of lubricating oil, amounted to 20,600 metric tons in 1939, and the production of perilla, hempseed, and sesamum, all oil-bearing seeds, totalled 136,000 metric tons in the same year. Peanuts, grown chiefly in the Kwantung Leased Territory, totalled 42,000 metric tons.

But increased production in the minor agricultural yields did not compensate for the falling off in the staple crops, none of which, except millet and maize, had in 1937 recovered to their 1930 totals. For 1938 and 1939 official figures for the major crops were as follows:[3]

TABLB xviii

PRODUCTION OF PRINCIPAL CROPS, 1938-39
(in million metric tons)

Year	*Soya Beans*	*Kaoliang*	*Millet*	*Maize*	*All crops*
1930	5*31	4'8l	3*30	1*71	19*08
1938	4-09	4-64	3-51	2-47	18*32
1939	3*95	4*6i	3*52	2-46	17-94

It will be observed that the chief decline was in soya beans, the principal Manchurian cash crop and export commodity. The acreage under soya beans fell from 31*1 per cent of the total acreage of all crops in 1930 to 26*2 per cent in 1937, and was about the same in 1938. On the basis of the official crop figures it appears that there was a considerable decline in overall agricultural pro-

[1] *Japan-Manchoukuo Year Book,* 1940, p. 684. [a] ibid., p. 688. * ibid., p. 684.

duction during 1931-35, followed by a slow recovery during the ensuing five years, but that this recovery had not in general regained all the ground lost. The laggard state of Manchurian agriculture stands in sharp contrast to the activity in industry, the growth in population, and the recovery in world trade and in prices after 1933. The relative official neglect of the agrarian problem was tacitly admitted *in* an official publication *in* 1940, which remarked that efforts to increase agricultural production had hitherto been chiefly confined to guidance and encouragement, and that the gradual decline in the productive capacity of the cultivated land had been overlooked.[1]

The backwardness of Manchurian agriculture, in contrast to the rapid expansion of the extractive and manufacturing industries, became a source of increasing concern to the Japanese when the prolongation of the struggle with China, with, on the one hand, a consequent drain upon Japanese agrarian resources, both human and material, and, on the other, an increased demand for food, fodder and fertilizer, threw into sharp relief the one-sided nature of Manchurian development. This was further emphasized *in* 1939 when the hostilities at Nomonhan and the outbreak of the European war, coincided with a decline in Manchurian agricultural yields as compared with the previous ye3r. This was in part due to adverse weather conditions, but a more serious factor was the passive resistance of the Chinese farmers to die operations of the monopolistic official purchasing agencies, such as the Manchuria Cereals Corporation, organized in 1938 to control the purchase and distribution of wheat, flour, and rice, and the Manchurian Staple Purchase Corporation which performed similar functions for soya beans, bean cake, and bean oil. The fixed official prices at which the farmers were expected to sell their crops were too low to be profitable, and the farmers responded with the time-honoured devices of reducing the planting of commercial crops in favour of subsistence crops, of hoarding, and of evading the controls. The result in 1940 was an 8 per cent drop in soya bean cultivation, while only about half of what was planted was acquired by the Government purchasing agencies.[2] Thus, despite the virtual loss

[1] *Japan-Manchoukuo Year Book,* 1940, p. 713.

[2] J. R. Stewart, 'Monopoly Control of Agriculture in Manchuria': *Far Eastern Survey,* 21 April, 1941, p. 77. An unofficial estimate, made by the American Commercial Attachd at Shanghai, of the soya bean crop for 1939 was 3 • 4 million metric tons, 500,000 tons less than the official estimates.

of the European market through the Allied blockade of Germany, there was a falling off in Manchurian bean exports to Japan.

The Japanese endeavoured to remedy this state of affairs both by tightening and extending their controls, and by giving increased incentives to the Chinese farmers. In October 1940, new laws extended the official controls to all principal farm products and their derivatives. The Rural Credit Associations, agricultural co-operatives, and the liang chan were all utilized as agents of the governmental policy and were brought under the direction of the Ministry of Agricultural Development which had replaced the former Bureau of Agricultural Affairs. Thus, official control was extended to include all the organs for the collection, marketing, and distribution of farm products. The budgetary appropriations for agriculture were greatly augmented so as to facilitate the granting of bounties to the farmers, and the execution of irrigation schemes and of other plans for agrarian rehabilitation. The official prices were raised, the increase being passed on to the consumer except in the matter of bean cake exports to Japan, the price of which was kept at an artificially low rate, the difference between this and the purchase price in Manchuria being ultimately borne by the Manchurian taxpayer.[1] In the autumn of 1940 a grandiose ten-year food production plan for East Asia was inaugurated under which Manchurian exports of food and fertilizer were to supply the deficiencies of the rest of East Asia. The outbreak of the Pacific War further stimulated the food production campaign. Quotas were set for the various localities, and an attempt was made *to* enforce their collection through the rationing of textiles and other goods needed by the rural populace. But the Japanese could neither control the whole countryside, nor prevent inefficiency and corruption among the 'Manchukuo" officials. Neither could they, in view of war-time stringencies, supply anything like an adequate amount of consumers' goods to the rural areas. Thus, while the Chinese peasantry in Manchuria were probably better off than their confreres in the cities, at least as regards food and fuel, they had ample reason for discontent with the regime and for supporting covert or open resistance movements.

The results of the agricultural production drive were not especially impressive during 1940-41. The official figures of production in the principal crops were:

[1] Stewart, op. cit., p. 79.

TABLE XIX

PRODUCTION OF PRINCIPAL CROPS, 1940-41
(in million metric tons)

Year	*Soya Beans*	*Kaoliang*	*Millet*	*Maize*	*Wheat*	*Paddy Rice*
1940	3*82	4*74	3-90	3*07	0-87	0*59
1941	4*13	5*50	4*io	3*50	0*94	0*86

Unofficial estimates were much less, especially for soya beans, which were set at no more than 3 • 2 million tons for both years. In 1942—43 the Japanese made a determined drive to secure a 10 per cent increase in the output of the principal foodstuffs, accompanied by intensive propaganda on the part of the Concordia Society, increased prices, and schemes for the reclamation of waste land, the drafting of labour to agricultural districts and the utilization of the Sungari dam reservoir for irrigation purposes. But in the summer of 1942, the principal crops were affected by drought and in particular 50 per cent of the millet crop was reported to have been ruined.[1] The year 1943 was also one of drought, although the Japanese broadcasts said that timely rains had largely saved the crops. The last years of the war were apparently marked by improvement, the 1945 harvests were said to have been exceptionally good,[2] and there seems to have been no food shortage in the country as a whole, although the large cities were under stringent rationing.

Allowing for fluctuations due to climatic conditions, it is probable that the increased attention given by the Japanese to agriculture during 1939-45 did yield marked results, although reliable statistical evidence is lacking. They paid especial regard to the promotion of further rice cultivation for military and civilian Japanese needs, and to oil seed production, including the planting of castor beans even in the parks and avenues of Manchurian cities. But Japan herself lacked the equipment to effect any great improvement in agricultural methods, and mechanization remained limited in size and in area. By 1931 agriculture in die settled areas of Manchuria had been firmly set in the traditional Oriental moulds—smallholdings, manual labour, and primitive implements. In this it was not dissimilar to Japanese agriculture and it

[1] *Chicago Daily News,* 17 November, 1943.
[1] *New York Times,* 8 February 1947.

was to be expected that, despite talk about large-scale farming, the chief Japanese contribution should be in the promotion of rice cultivation, the thing with which they were most familiar and which they most desired. By reclamation and irrigation work in the lower Sungari and the upper Liao river valleys they planned to secure an extra 750,000 acres of rice-land and were by 1945 on the way to making rice production rival that of kaoliang and millet.

The Japanese also had ambitious plans for the increase of Manchurian livestock and for improving the breeds of horses, cattle, sheep, and hogs. The Kwantung Army took an interest in this matter in the hope of securing a supply of good horses and mules for military purposes, and of increasing the production of meat and of wool. Assistance to the pastoral industry was also a means of improving the lot of the Mongol tribesmen whose flocks and herds were still the chief source of their wealth, despite the growth of tillage in the Mongol lands.

The Manchurian horse—in reality a Mongolian breed—is a hardy beast and capable of living on poor pasturage, but he is small in size and slow, so that he has limitations as a beast of burden or of haulage. The mule is rather better for these purposes since it can stand more hardships and pull a heavier load than can the horse. But the typical pack-animal is the donkey, undersized but strong and able to pull or carry a heavy load. The native cattle arc of two kinds, the Manchurian, which are mainly found in the eastern part of the country, and the Mongolian, raised in western Manchuria and the Mongolian border lands. Both breeds are hardy, resistant to disease and able to live on scanty fare, but are small, slow in attaining maturity, and yield but poor quality milk, meat, and hides. Sheep, also of Mongolian origin, are raised chiefly for their meat and skins, but their wool is of very poor quality and suitable only for rugs and blankets. The pig, ubiquitous in all Chinese villages, is the main source of meat supply, though as he hves mainly by scavenging, his flesh is apt to be of poor quality.

There is no reliable census of the number of livestock in Manchuria, and the available statistics are even more incomplete and undependable than usual, so that deductions based upon them must be of a very tentative nature. In 1934 the 'Manchukuo' Bureau of Agricultural Affairs asked the provincial authorities to make returns of the livestock *in* their provinces, and on the basis of these produced the following figures of the livestock population of all Manchuria and Jehol: Cattle, 1,358,000; horses, 1,675,000; mules, 588,000; donkeys, 680,000; sheep, 1,729,000; goats, 651,000; pigs, 4,861,000. Presumably all that the local authorities did was to compile such scattered data as were already available, since the country was still too disturbed to make possible any adequate field work. They themselves said that the actual numbers of domestic animals might be double the estimates given.[1] Two-thirds of the sheep were reckoned to be in the four Hsingan provinces, a large proportion of the horses were in north Manchuria, while Chientao, Antung and Sanchiang were important cattle-raising provinces.

For some years prior to 1931 the administration of the Kwantung Leased Territory had been carrying out experiments in the improvement of livestock, as also had the S.M.R. Company. The Kwantung Government had established a livestock breeding section on its experimental farm at Chinchow in 1916. In June 1926, the S.M.R. Company and the Kwantung Government co-operated in the establishment of a stud farm at Chinchow, importing Arab horses for breeding purposes. Horse-races thtice yearly were established by decree and the winners distributed for breeding; the same practice was extended to the rest of Manchuria after 1931. As early as 1914 the S.M.R. Company, in the hope of establishing a new source of wool supply for Japan, had established sheep-breeding stations for the crossing of the native breeds with imported Merino Sheep. In 1931, the Manchuria Sheep Breeders' Association was established under the auspices of the Company in furtherance of the task of improving the quality of the sheep. Similar experimental stations were established by the S.M.R. Company for the improvement of the native strains of horses, cattle, and pigs. The chief breeding centres were at Kungchuling, Tiehling and Fushun, with subsidiary stations at other points on the S.M.R. main and subsidiary railways. In 1925 the S.M.R. Company established the Veterinary Institute in Mukden to conduct research into cattle diseases, and it did invaluable work in combating epidemics. These efforts of the Kwantung Government and the S.M.R. Company, although useful as far as they went, were on too limited a scale and affected too small an area,

[1] *Contemporary Manchuria,* Vol. II, No. i, January 1938, pp. 102-3.

to modify substantially the general situation *in* respect of Manchurian livestock.

The 'Manchukuo' regime in 1933 included in its general programme of economic reconstruction a plan to foster the production of 2,000,000 horses of improved breed, 4,000,000 sheep, and 2,700,000 cattle as well as an unspecified number of pigs. It established a Horse Administration Bureau, under the Ministry of Defence and organized numerous stud farms, chiefly at points in North Manchuria, as well as a number of sheep and hog breeding stations. The S.M.R. Company also considerably expanded its work in these fields, and the Kanegafuchi Spinning Company established a large sheep farm for the breeding of Merino sheep. The Department of Mongolian Affairs was in charge of efforts at improving the breed of sheep in the Mongol areas, while in 1934 the Japan-'Manchukuo' Sheep Association, with a capital of 2 million yen, was organized to promote wool production among the Japanese rural immigrants.[1] The Manchurian Five-Year Development Plan in 1937 included the production in Manchuria of 2.3 million horses, 4.2 million sheep, 2*7 million cattle and 5*2 million hogs, at an estimated cost of 21*8 million yuan.[2] These figures do not appear to be more than a recapitulation of those of 1933, from which it may be inferred that the programme had not got beyond the experimental stage during 1933-37. There is some evidence of an actual decline in the numbers of horses, cattle, and sheep during this period,[3] and from the tone of the article in *Contemporary Manchuria* in 1938, it is clear that the Japanese had not at that date effected any serious amelioration in the quality of the native breeds or in the prevalence over the whole country of a high incidence of animal diseases. Exports of sheep wool were valued at 2*5 million yuan in 1937, which means that they were infinitesimal in quantity in relation to Japan's total needs. It is unlikely that the situation with regard to Manchurian livestock underwent any marked improvement during the war years, since to effect such a change would have needed far more capital investment and technical aid than the Japanese could spare from the many calls upon their limited resources.

The Japanese were interested in the control and exploitation of Manchurian timber reserves, which they estimated at 4,175

[1] *S.M.R. Fifth Report on Trogress in Manchuria,* 1936, p. 88.
* *Contemporary Manchuria,* Vol. II, No. 1, January 1938, p. 126.
[3] Kirby, op. cit., p. 97.

million cubic metres.[1] They established in 1934 a Forestry Administration Bureau in the Department of Industry, with local offices in the forest zones, except in the Hsingan Provinces where forestry administration was entrusted to the Department of Mongolian Affairs. The Japanese alleged that, prior to 1931, Japanese participation in the Manchurian lumber business had been extinguished by the adverse Chinese official policy, and also that there was much confusion and conflict in forestry concessions granted by the former regime. A Forestry Titles Readjustment Law was passed in June 1934, and a Forestry Title Examination Board set up. Some 250 forestry titles, which included over 20 million hectares of forest area, were called in question and most of them were disallowed. A Timber Tax Law of 1934 was declared by the Japanese *to* have removed many anomalies and injustices, but foreign timber concessionaires complained of arbitrary treatment by the forestry and financial organs *o{* the new regime. In February 1936, a Japan-'Manchukuo' lumbering concern, called the Manchuria Forestry Industry Company, was set up to monopolize the cutting, transportation and sale of timber within specified forestry areas in northern and eastern Manchuria. Thus private companies were nearly all squeezed out and lumbering was allowed only in areas designated by the Forestry Bureau, which assigned most of these to the newly formed official concern. The professed objects of this restriction were to prevent the reckless exploitation of the forests, and to facilitate the protection of the lumberman against attacks by bandits. The 'Manchukuo' era saw a considerable development in the exploitation of the forest resources of northern Manchuria; whereas in 1932 northern Manchuria had provided only 23 per cent of the total timber output, as compared with 40 per cent for the Yalu River region; in 1938 the former region produced 67 per cent and the latter 10 per cent.[2]

Owing to the difficulties of communication, high transport costs and the unsuitability for building purposes of much of the Manchurian forestry production, Manchuria always imported much timber although before 1932 she had been on balance a net exporter. After 1932 the boom in urban construction changed this situation and made the country a heavy net importer of timber, as the following figures reveal:[3]

[1] *S.M.R. Fourth Report on Progress in Manchuria,* **1934, p. 211**.
[2] *The Far East Year Book,* 1941, p. 698.
[3] ibid., p. 698.

TABLE XX

MANCHURIAN TIMBER SUPPLIES, 1932-38

Year	*Output*	*Imports*	*Exports*	*Consumption* (1,000 *cu.metres)*
1932	897	136	221	812
1933	1,001	508	n o	1,400
1934	1,346	709	163	1,892
1935	1,839	531	208	I,161
1936	1,845	403	**164**	2,058
1937	2,771	527	137	3,161
1938	3,557	731	124	4,164

Japanese paper manufacturing companies were interested in Manchurian forestry resources as a source of paper pulp supplies in which japan's own forests were insufficient to meet her needs. But partly to prevent excessive exploitation and partly because of the Kwantung Army's aversion to the penetration of Manchuria by private Japanese capitalistic interests at first only four out of thirty-five Japanese applicants received the necessary official licence. However, by 1940 eight pulp concerns had been established.

TABLE XXI

PULP CONCERNS IN MANCHURIA, SEPTEMBER. 1940[1]

Name	*Affiliation*	*Capital (million)*	*Capacity* (1*metric tons)*	*Mills*
Yalu Seishi	Oji Paper Co.	MY. 5	18,000	Antung
Manchuria Pulp Co.	Mitsubsishi	„ 10	15,000	Hualin
Nichi-Man Pulp Co.	Oji	» io	15,000	Tunhua
Toyo Pulp Co.	Kanebo	„ **30**	15,000	Kaishantan
Toho „ „	Oji	„ **30**	15,000	Chinchow
Kang Teh Reed Pulp Co.		5	18,000	Yingkow
Manchu Bean Pulp Co.	Nomura	» **10**	15,000	Fengt'ien

The Manchurian Five-Year Industrial Development Plan envisaged the production of 300,000 tons of rayon pulp and 100,000 tons of paper pulp in 1941; of the total of 400,000 tons, 300,000 tons were to be made from wood, 70,000 tons from reeds and 30,000 tons from bean stalks.[2] As the eight companies were producing only some 138,000 tons of pulp in 1940 and were encountering difficulties it is unlikely that the plan came anywhere near fulfilment.

[1] *The Far East Year hook,* 1941, p. 700.
* *Contemporary Manchuria,* Vol. II, No. 6, **November 1938, p.** 19.

CHAPTER X

Commercial Policy and Foreign Trade

WHEN the Kwantung Army seized control of Manchuria it did not at first interfere with the Chinese Maritime Customs administration which functioned in the treaty ports of the region. The term 'port' in this connexion in China includes inland as well as coastal towns; the chief Customs Houses in Manchuria were located *in* Antung, Yingkow, Mukden, Harbin, Lungchingtsun, Hunchun, and Aigun, with six branches and ten sub-branches in smaller places. Dairen, in the Kwantung Leased Territory, was a free port, but a Chinese Customs House was established there for the collection of duties on Manchurian imports and exports which passed through Dairen, as did the great bulk of them. This Dairen Customs House functioned according to the terms of the Sino-Japanese Agreement of 30 May 1907, by which the Customs House was to be under the authority of the Inspector-General of the Chinese Maritime Customs, but in charge of a Japanese Commissioner of Customs, assisted by a Japanese staff. The duties collected were according to the rates fixed by treaty.[1] Thus, the Customs in Manchuria were an integral part of the foreign-administered Chinese Maritime Customs service. Its efficiency and honesty were important contributory factors in making the Customs receipts the chief source of revenue for the Chinese Government, and the main security for the discharge of China's foreign debt obligations. In 1930, the Customs revenue collected in the Manchurian ports including Dairen, amounted to 14- 7 per cent of the total for all China.[2]

In February 1932, the 'North-Eastern Administrative Committee' asserted that the Customs revenue belonged by right to 'Manchukuo', while Japanese Customs 'advisers' were appointed at each port to supervise the Customs administration. However,

[1] MacMurray, *Treaties^* Vol. I, pp. 635-636. Articles 1 and 3 of the Agreement stipulated that the Inspector-General of the Maritime Customs should consult with the Japanese Legation at Peking on the appointment of a new Commissioner and also give prior notice of such appointment to the authorities of the Kwantung Leased Territory. The Japanese claimed that Sir Frederick Maze broke these stipulations when he dismissed Mr Fukumoto in June 1932.

[2] *Lytton Report*, p. 104.

until the following June the 'Manchukuo* authorities did not interfere with the remittance of Customs funds to Shanghai. On 17 March 1932 the 'Manchukuo' Government made an informal overture to the Chinese National Government and offered to retain the existing personnel of the Customs in Manchuria, to pay a due share of the Customs receipts earmarked for foreign loan obligations, and to retain the balance for its own use.[1] The Chinese Government not unnaturally refused to consider an arrangement which would have entailed their indirect recognition of 'Manchukuo'. So on 9 June the 'Manchukuo' authorities declared that no further customs receipts should be remitted to Shanghai from Dairen, and threatened to establish a Customs House of their own on the frontier of the Leased Territory should the Dairen Customs Commissioner refuse to comply with their wishes. He, therefore, on the advice of the Chief of the Foreign Section of the Kwantung Government, refused to obey an order from the Inspector-General of the Maritime Customs to continue remittances to Shanghai, and was consequently dismissed by the Inspector-General. The Dairen Commissioner and his staff thereupon 'seceded' from the Maritime Customs and declared that they would henceforth serve the 'Manchukuo' regime, which appointed them as 'Manchukuo' officials. The Japanese authorities in the Leased Territory affected to have no part in this, and declared that the issue concerned only 'Manchukuo' on the one hand, and the Chinese Government and the Dairen Commissioner on the other.[2] This piece of play-acting between the different Japanese authorities deceived no one. At the same time the Antung Customs House was seized by the 'Manchukuo' police, who also entered the S.M.R. Zone at Antung and prevented the local Commissioner of Customs from continuing the Customs service within the Railway Zone.[3] During July 1932, the remaining Manchurian Customs Houses were forcibly taken over by the 'Manchukuo* regime, and the foreign (non-Japanese) staff expelled. Despite pressure put upon them to enter the service of 'Manchukuo' most of the Chinese Customs staff elected to return to China and only 125 remained to join the 'Manchukuo' Customs.[4]

The consequence was that the efficiency of the service was

[1] *Contemporary Manchuria,* Vol. II, No. *4,* July 1938, pp. 1-2.
[2] *Lytton Report,* p. 104.
[3] ibid.
[4] *Contemporary Manchuria,* Vol. II, No. 4, July 1938, **p. 10.** ***The Times,*** 9 **August 1932.**

gravely impaired, despite the appointment by 'Manchukuo' of a number of Japanese Customs officers and the recruitment of local personnel. A great increase in smuggling took place; this clandestine traffic went on along the Manchurian-Korean border, across the boundary of the Kwantung Leased zone, and by junk between the Manchurian and the North China littoral. After 1937, the Japanese claimed that such practices had been virtually ended, but it is doubtful if this was in fact the case. It should also be remembered that during 1935-37 the Japanese military authorities encouraged the widespread smuggling of goods, including narcotics, between Manchuria and North China.[1] The inefficiency of the 'Manchukuo' Customs and the prevalence of smuggling reduced the value of the 'Manchukuo' trade statistics, especially during the early years of the regime.[2]

On 15 September 1932, at the time of the signature of the Japan-'Manchukuo' Protocol of Alliance, the 'Manchukuo' authorities announced the formal severance of all ties with China, which was henceforth to be treated as a foreign State in commercial and tariff matters. A Customs House was established at Shanhaikuan, and, after the conquest of Jehol, others were set up at points along the Great Wall. In May 1935, an agreement for the establishment of joint Japanese-*Manchukuo' Customs Houses in the north Korean ports of Seishin, Rashin, and Yuki was concluded in Hsinking between the Japanese Government and that of 'Manchukuo'.[3]

In respect of Customs affairs, as of trade and commerce generally, the 'Manchukuo' regime announced that it would maintain the principle of the 'Open Door', or equality of commercial opportunity, but these professions were soon found to be worth very little. The existing Chinese Treaty tariff rates on exports and imports were revised by the 'Manchukuo' authorities in July 1933, and again *in* November 1934, while the duties on exported goods underwent a further revision in November 1935. Since the Japanese masters of 'Manchukuo' hoped to get foreign recognition for their creation, they avoided any overt discrimination in favour of Japanese imports into Manchuria; that is to say, they did not put a duty on a foreign-manufactured article higher than that imposed

[1] *Survey of International Affairs,* 1936, pp. 911-13; 1937, Vol. I, pp. 177-80.

[2] The Postal Administration was similarly taken over by 'Manchukuo' and equally suffered a marked decline in efficiency and reliability.

[3] *S.M.R. Fifth Report on Progress in Manchuria,* 1936, pp. 208-10.

on a precisely similar article of Japanese manufacture. They did, however, reduce the tariff rates on certain classes of textiles, paper, rubber footwear, and other articles of primarily Japanese manufacture on the ground that the Chinese authorities had placed excessively high duties on these, with a political rather than a commercial motive.[1] There was some justification for this plea and the action taken did not of itself constitute discrimination against non-Japanese goods. There were, however, accusations from foreign interests that the tariff classifications had been manipulated in favour of Japanese products. Thus, the Standard Oil Company complained that Japanese kerosene, which was of slightly lower specific gravity than American or British kerosene, was graded as light oil' and paid a duty of only five cents a gallon, whereas the foreign products, graded as kerosene, paid twenty-nine cents a gallon.[2] Foreign importing concerns also declared that it was practically impossible to trade directly with Chinese and foreign firms located in 'Manchukuo', because Japanese importers were able to secure rebates on Customs duties and freight charges. It was usual for Dairen firms which desired to ship goods to places in 'Manchukuo' to go to Japanese forwarding concerns and ask them to handle the shipments, since they were always able to obtain cheaper rates. Such Japanese forwarding agents were requested to make a single quotation covering both freight and Customs charges. In this way the Japanese were able to camouflage any freight or special customs rebates to Japanese which foreigners were unable to obtain.[3]

The whole economic policy of the 'Manchukuo' regime militated against the import of consumer goods from Western countries. In consonance with the Kwantung Army's aim of furthering industrialization for war purposes, the trade regulations and tariff schedules were devised to encourage the import of capital goods and to diminish those of consumer goods. This was especially the case after the adoption of the Five-Year Plan of Industrial Development. In 1937 there was a further thorough revision of the tariff rates; export duties were levied on certain raw materials which it was desired to retain or to export in manufactured form only, while the import tariff was devised to encourage the inflow of capital equipment for the mining, metallic,

[1] *S.M.rX. Fourth Report on Progress in Manchuria,* 1934, pp. 267-73.
[2] *The Times,* 8 November 1934.
[3] *The Puppet State of "Manchukuo* p. 133.

and heavy manufacturing industries, and to discourage luxury* imports.[1]

The 'Manchukuo' regime also promulgated a number of trade control and exchange control laws which were all designed to further the creation of a Japan-'Manchukuo' economic bloc. The first of these was the Emergency Trade Control Law of 15 August 1936, which lined up 'Manchukuo' with Japan in retaliating upon Australia for her protective duties against Japanese manufactures. The law authorized the Government to levy additional export or import duties, to restrict or prohibit any exports or imports either for purposes of retaliation or to safeguard important domestic industries.[2] A more comprehensive Foreign Trade Control Law was enacted on 9 December 1937, and its scope was widened by an Imperial Ordinance in July 1938. These measures subjected a wide range of commodities to Government control and licensing. The import of wheat, flour, and sugar from all other countries than Japan was prohibited, while rice could be imported only from Japan and Siam. Imports of leaf and manufactured tobacco from Shantung and the United States were restricted, and imports of foreign soda ash prohibited. Exports of maize, castor seeds, wool, hides, leather, furs, and lumber to countries other than Japan were also either prohibited or restricted.[3] The professed objects of these measures were to protect 'Manchukuo* domestic industries and to conserve foreign exchange; their effect was to limit Manchurian foreign trade more and more to commerce with the Japanese Empire.

The same policy found expression in the Exchange Control Laws. By the Revised Exchange Control Law of 8 October 1937, government permission was required for all import bills in payment of goods purchased from countries other than Japan, and in excess of 1,000 yuan in any given month. Such permission was in general not to be given for the importation of'luxuries', while the amount of exchange to be made available for imports from foreign countries of goods which might have been procured from Japan was to be strictly limited. Government license was also required for the payment of dividends or interest on loans, or of remittances to countries other than Japan. The Government of the Kwantung Leased Territory enacted a similar Exchange Control

[1] *Contemporary Manchuria,* Vol. II, No. 4, July 1938, pp. 21-4.
[2] *S.M.R. Sixth Report on Progress in Manchuria,* 1939, p. 103.
[3] ibid., pp. 104-5.

Law, and in August 1938, a Provisional Exchange Control Bureau was established in the Central Bank of Manchu in Hsinking to control exchange transactions alike in 'Manchukuo' and in the Kwantung Leased Territory.[1]

On 1 October 1938, the Provisional Capital Control Law came into operation. Its object was to mobilize domestic capital, and channel it into the enterprises which were regarded as essential under the Five-Year Industrial Development Plan. It required all companies to secure Government permission for the increase of their capital, the flotation of new debentures, or bank loans. In considering applications priority was to be given to industries connected with the Five-Year Plan, and some facilities to certain others which, while not so directly connected with the industrialization schemes, were still held to be of advantage to the regime.[2]

This engine of financial and trade control was operated by the Japanese masters of 'Manchukuo* in the first place to assist in the building-up of the quasi-war economy which the Kwantung Army desired to sec established. When the demands of the official and semi-official monopolies had been met, what was left went to general Japanese business and commercial interests. Trade with countries other than Japan was increasingly restricted to the importation of commodities which were needed for the constructional schemes, but which Japan herself either could not supply at all, or could only in part provide. This was the case in only a very limited range of goods.

Third party business enterprises in Manchuria, which had been instrumental in promoting trade with their respective countries, for die most part found themselves squeezed out by Japanese industrial and commercial monopolies. Many American, British and German firms and financial houses withdrew altogether from Manchukuo'. On 14 November 1934, an Oil Monopoly Law was promulgated, and, despite American and British diplomatic representations to Tokyo, was enforced in the following April. The Law made all petroleum products a Government monopoly and limited their manufacture and distribution to agencies licensed by the 'Manchukuo' regime.[3] Previously, the importation and distribution of oil, particularly kerosene, had been mainly in the hands of the Anglo-Dutch Asiatic Petroleum

[1] *S.M.R. Sixth Report on Progress in Manchuria,* 1939, pp. 93-4. * ibid., pp. 79-80.
[8] *S.M.R. Fifth Report on Progress in Manchuria,* 1936, pp. 45-7.

Company and the American Standard Vacuum Oil Company. These together had handled over 80 per cent of the oil sold in Manchuria, the remainder had been disposed of by Russian and Japanese interests. In February 1934, a semi-official company for oil production, refining, and sale, was established by the 'Manchukuo* Government. Its President was K. Hashimoto, who was also President of the Nippon Oil Company and was a brother of General Hishikari, who was at that time *Manchukuo' Ambassador and Commander-in-Chief of the Kwantung Army.[1] The foreign oil companies declared that the bulk of the oil distribution business would be placed in the hands of this new concern and its agencies, and that the little that was left to foreign interests would be unprofitable. Diplomatic protests to Tokyo were met with the reply that 'Manchukuo' was an independent State over which Japan had *no* control, and by hints that the foreign Powers concerned had better accord recognition to 'Manchukuo' so as to be able to deal direct with the Hsinking regime. The upshot was that the foreign oil companies had to cut their losses and to withdraw from the oil distribution trade in Manchuria. They refused to accept the trivial sum offered them as compensation.

Other foreign concerns which found it necessary to close their branches in Manchuria included the British Jardine Engineering Company, the Czech Skoda Steel Works, the German Siemens Schukcrt Company and the American firm of Andersen, Meyer and Company.[2] The Japanese professed willingness to encourage foreign enterprises and investment in 'Manchukuo', but it became abundantly clear that all they wanted was foreign capital investment in 'Manchukuo' official policy companies, and were hostile to independent foreign enterprises. Despite Japanese panegyrics on the economic progress and potentialities of 'Manchukuo' and the relatively favourable views of the Federation of British Industries group, headed by Lord Barnby, which visited Manchuria in 1934,[3] no such investments were forthcoming from the Western Democracies except for a very small amount of French capital put into a Hsinking construction project.

The general economic policy of the 'Manchukuo' regime produced marked changes in the direction and character of Manchurian foreign trade. The development of railway commun-

[1] *New York Times*, 25 October 1934. * *Far Eastern Survey*, 1 December 1937, p. 272.
[2] *The Times*, 10 August 1934.

ications, the great volume of immigration and settlement and the exploitation of Manchurian agricultural and mineral resources had combined to cause a rapid growth in foreign trade at a pace which outstripped that of the rest of China. Manchurian foreign trade comprised n per cent of the total foreign trade of China in 1913, and 23 per cent in 1929. Moreover, before 1931, thanks to the exports of soya beans to the European, American, and Japanese markets, the trade of Manchuria showed a consistently favourable balance, which reduced the visible adverse balance of the trade of China as a whole. The effects of the Japanese occupation are revealed in the following table:

TABLE xxn

THE FOREIGN TRADE OF MANCHURIA, 1927-37[1]

(in MY. millions)

Year	Exports	Index No.	Imports	Index No.	Total	Index No.	Balance
1927-31 (Average)	660*4	100	435*3	100	1,095-7	100	+ 225-1
1932	618-1	94	337-6	78	955-8	87	+ 280-4
1933	448*4	68	515-8	118	964-3	88	— 67-3
1934	448-4	68	593-5	136	1,041-9	95	— 145-1
1935	421-0	64	604-1	139	1,025-2	94	-183-0
1936	602-7	9i	691-8	159	1,294-5	no	— 85-0
1937	645-2	98	887-4	204	1,532-7	140	—242•T

There arc a few points of note concerning these statistics. In the first place they include the trade of the Kwantung Leased Territory. This may be regarded as economically an integral part of Manchuria. About 20 per cent of the total imports from abroad were retained in the Leased Territory and approximately 10 per cent of the exports from 'Manchukuo'. But Dairen had also a considerable transit trade with North China, while the considerable amount of goods which were destined for Manchuria, but which before 1932 had been consigned via Shanghai must also be remembered. These factors, however, do not materially alter the general picture.

From the above table it may be observed that there was a marked decline in trade during 1932-33, due both to the disturbances consequent upon the Japanese seizure of the country

[1] *Contemporary Manchuria,* Vol. Ill, No. 2, April 1939, p. 2.

and to the world-wide economic depression. The import trade quickly recovered and surpassed the pre-Incident levels, whereas the export trade remained in a depressed condition. The expansion of imports was due to Japanese constructional and industrial activities; while the lagging condition of exports was caused by the curtailment of soya bean exports to European countries, principally Germany, and, especially after 1935, to a falling off in Manchurian soya bean production caused by the mistaken Japanese policy of fixing unduly low prices in purchases from the growers.

TABLE xxra

NET EXPORTS AND IMPORTS WITH PRICE INDICES, 1932-36[1]

y	*Export Price*	*Exports MY. Million*	*Value Index No.*	*Import Price*	*Imports MY. Million*	*Value Index No*
1932	111-4	599-7(538-3)	127-1	IOI-I	319-2(315-8)	64-3
1933	100	423-6(423-6)	100	100-0	490-9(490-9)	100
1934	95*5	419*8(439*6)	103-8	90-6	564-9(623-6)	127-0
1935	136-7	391*4(286-4)	67-6	90-7	574-5(633-4)	129-0
1936	147-3	528-6(358-8)	84-7	90-7	617-6(681-0)	138-7

The figures in parentheses in the third and the fifth columns of this table show the price values for exports and imports after adjustment for price fluctuations, taking 1933 as the standard year. This computation shows that the terms of trade moved against Manchuria during 1933-36, owing to the fall in the market price of her staple exports and to the rise in import prices of capital goods.

The soya bean export situation is revealed by the following tables:

TABLE XXIV

EXPORTS OF SOYA BEANS FROM MANCHURIA, 1932-37*

Year	*Quantity (million piculs)*	*Value (MY. millions)*	*Value as Per Cent of all Exports*
1932	41*3	217-4	36-2
1933	38-4	165-6	39-0
1934	40-4	157*2	37*4
1935	28-4	126-3	32*3
1936	31*5	210-3	39-8
1937	32-2	222*9	39*6

[1] *Contemporary Manchuria,* Vol. Ill, No. :I, April 1939, p. £.

[9] From K. Bloch, *German Interests and Policies in the Far East* (New York, Institute of Pacific Relations Publications, 1940), p. 33.

TABLB XXV

AVERAGE EXPORT PRICES OF SOYA BEANS PER PICUL[1]
(in *Manchukuo* yuan)

Year	*Average Export Price*	Year	*Average Export Price*
1932	52-64	1935	44*47
1933	43-12	1936	66-76
1934	38'9i	1937	69*22

The decline in both the quantity and the value of Manchurian exports of soya beans during 1935 was a principal factor in the replacement of a favourable by an unfavourable visible balance of trade. Even so, the country retained a favourable balance in its trade with most countries other than Japan; increased imports from Japan accounted for the change in Manchuria's foreign trade position, as is shown by the following analysis of its trade by countries:

TABLE XXVI

FOREIGN TRADE OF MANCHURIA, BY COUNTRIES"
(in MY. millions)

Country	1933	1934	1935	i93<5	1937
JAPAN					
Exports to	172-9	I72'2	183*5	237'5	277*1
Imports from	313-6	383-2	434*4	507-2	627-3
KOREA					
Exports to	30-3	46-4	33*7	43*3	44*4
Imports from	26-0	25*3	22*4	27*3	39*0
CHINA					
Exports to	55*2	65-6	65*3	128-6	113*7
Imports from	79'8	57*5	31*9	47*6	39*3
U.S.S.R.					
Exports to	129	8-4	4-6	i*5	o* 1
Imports from	7* 5	4*9	I - I	0-2	0-7
HONG KONG					
Exports to	6*2	6-8	7*5	8-7	8*4
Imports from	8-o	3*5	2-7	4*9	4*4
GREAT BRITAIN					
Exports to	8-7	16*2	24*2	27*5	9*3
Imports from	7-1	9.3	9*4	7*4	I I - I

[1] From Bloch, op. cit., p. 34.
* *Japan-Manchoukuo Year Book*, 1939, **p. 842.**

Country	1933	1934	1935	1936	1937
GERMANY					
Exports to	66.3	53*3	32.7	50*2	59.0
Imports from	10.5	12.4	14.7	13.0	17.2
NETHERLANDS					
Exports to	5.9	8.0	10*0	7.0	16.5
Imports from	0.4	o.3	o.8	o.6	i'5
U.S.A.					
Exports to	7.5	5*9	15*5	16.3	i8.6
Imports from	28.9	35*2	24.9	23.7	57*5

Manchuria had a favourable visible balance in her total trade with countries other than Japan; the export excess was, in round figures 60 million yuan in 1933, and 150 million in 1936. Her unfavourable visible balance of trade with Japan was covered mainly by Japanese investments in Manchuria. It will be noted that the change from a favourable to an unfavourable balance in the total of Manchurian visible foreign trade accounts occurred in 1933, before the great expansion of constructional activity and consequently of imports of capital goods, which took place from 1937 onwards as a result of the adoption of the industrial development plans. It was evident at the time of the adoption of the first Five-Year Plan that the result would be a great increase in the adverse balance of Manchurian foreign trade, including the likelihood of an adverse balance in the trade with other industrial countries, as well as with Japan and the United States of America.

This was a prospect which the Japanese Government did not relish. From 1932-36 Japan's adverse balance in visible trade with foreign currency countries was just covered by her invisible exports in the form of income from freight receipts and goods and services abroad.[1] But, as was revealed by Major-General Kenryo Sato in March 1942, in 1936 the Japanese Army chiefs formulated a programme which envisaged a great expansion of Japanese armament industries and the accumulation of stocks of raw materials for war purposes. This plan was put into execution over the ensuing six years and was a much greater factor in the growth of an adverse balance in Japanese trade with foreign currency countries than was the 'China Incident'.[2] The export surplus in Japan's trade with Manchuria was made possible by Japanese

[1] E. B. Schumpeter (ed.), *The Industrialization of Japan and Manchukuo* (New York, Macmillan, 1940), pp. 834-3S.

[2] T. A. Bisson, op. cit., pp. 6-7.

investments in that country, which constituted a further strain upon the Japanese economy and which had already provoked warnings from conservative financial circles. But the Japanese Army was resolved to push forward its plans for the industrialization of 'Manchukuo' as part of its general programme of war preparations, and it was therefore the more necessary for the Japanese Government to lessen the economic burden upon Japan by stimulating Manchurian exports to foreign countries.

For this purpose the Japanese turned primarily to Germany. During 1925-33 Germany had greatly increased her imports of soya beans and had become far and away Manchuria's biggest customer for this commodity. Germany relied on soya beans as her principal source of edible vegetable fats, especially margarine. The beans were crushed in the oil mills and margarine factories of the Anglo-Dutch Unilever concern in Germany and the Netherlands. The following table shows the great growth in German imports of soya beans and derivatives:

TABLE xxvn

[IMPORTS OF SOYA BEANS AND BEAN OIL,

	SOYA BEANS		SOYA BEAN OIL
Year	Thousand tons	Million RM.	Million RM.
1925	336	84-6	TS'O
1926	370	85-9	II-6
1927	576	130-2	7-2
1928	848	198-8	0-5
1929	1,024	239-1	o-i
1930	889	166-5	4*9
1931	1,015	131-0	3*3

As a consequence of these greatly increased soya bean imports Germany had an unfavourable balance in her trade with China. On the other hand she had a large export surplus in her trade with Japan, which was a valuable market for German machinery, machine-tools, and chemicals. Thus a triangular trade relationship developed; Germany paying for her Manchurian soya bean imports through her receipts from her export surplus in trade with Japan.[2]

This situation altered with the advent of the Nazi regime in Germany. Dr Schacht, Hitler's financial wizard, endeavoured to

[1] From K. Bloch, op. cit., p. 19. [2] ibid., pp. 19-20.

reduce Germany's adverse trade balance in her general foreign trade, and so to ease the strain on her limited foreign exchange resources. This he aimed to do by a policy of economic autarky which included a reduction in the imports of edible fats. In 1933 heavy duties were laid on imported lard and margarine, and in 1934 a special permit was required for soya bean imports into Germany. The result was that German imports of soya beans fell from 1,148,000 tons in 1933 to 457,000 tons in 1936, which constituted a most severe blow to the Manchurian bean trade. At the same time, the progress of industralization in 'Manchukuo' resulted in an increase of German imports, since the Japanese looked to Germany as a source of high-grade machinery and equipment for the processing of low-grade iron ores and for coal liquefaction plants. Furthermore, although Germany did not accord official recognition to 'Manchukuo' until May 1938, the Nazi regime was more sympathetic to Japanese ambitions in Eastern Asia than were the Western Democracies, and the Japanese therefore hoped for German economic and financial collaboration in their plans for Manchurian industrialization.

In November 1935 a German Economic Mission, headed by Dr Kiep, visited 'Manchukuo', and this provided an opportunity for the conclusion of a 'Manchukuo'-German Trade Agreement, The negotiations took place in Tokyo, ostensibly between the 'Manchukuo' Ambassador there and the head of the German Mission, in reahty between the German Mission and the Japanese Government. The discussions were prolonged, but eventually an accord was reached and the Agreement was concluded on 30 April 1936. By this Agreement Germany was to purchase commodities, chiefly soya beans, from 'Manchukuo' of a maximum annual value of MY. 100 millions and a minimum of MY.65 millions. She was to provide foreign exchange for three-quarters of the purchase price and to pay the rest in Reichsmarks, which were, however, to be earmarked for the purchase of German goods by 'Manchukuo'. Any foreign exchange in excess of an annual total of MY.63*75 millions which accrued to Germany from her sales to Japan was to be utilized for additional German imports from 'Manchukuo', payable in foreign exchange over and above the minimum figure fixed by the Agreement, while the importation against payment in Reichsmarks was to be increasecf by one-third of such excess.[1]

[1] *S.M.R. Fifth Report on Progress in Manchuria,* pp. 139-241.

The Agreement ran for an initial period of one year, with provision for renewal. It established a close triangular relationship between German-Japanese-'Manchukuo' trade. It was also a sign of the growing collaboration between Germany and Japan which was further signalized by the German-Japanese Anti-Comintern Pact of 25 November 1936. Consequently, although the results of the first year of trade under the Agreement did not come up to the expectations of either of its signatories, in May 1937 the Agreement was renewed for a further three years. At the same time provision was made for its revision in 1938, and, on 14 September of that year, a revised Agreement was concluded, which provided for additional trade beyond the totals fixed in the previous arrangements, which were themselves continued.[1] The trade pact was again renewed in 1940, despite the catastrophic interruption to German-'Manchukuo' commerce after the outbreak of the European War in 1939. Furthermore, on 4 September 1937, the German firm of Otto Wolff extended a credit of MY. 35 millions to the Central Bank of Manchuria for the purchase of machinery in Germany, and another credit for similar purposes in May 1939.[2] The effect of the trade agreements and credits are revealed by the following unofficial figures of 'Manchukuo'-German trade during 1936-39:

TABLE XXVIfl

'MANCHUKUO'-GERMAN TRADE, 1936-39*
(Year ending 31 May. In MY. millions)

Year	1936	1937	1938	1939
Exports to Germany	43*7	52*6	83	118
Imports from „	14*8	14*1	21	45
Balance	28*9	38*5	62	73

In July 1938, a tripartite trade agreement was concluded with Italy, to facilitate the export of Manchurian agricultural products to that country in return for machinery, automobiles and miscellaneous manufactures.[4]

These trade agreements had a favourable effect upon Manchurian exports of soya beans during 1937-39 and on soya bean prices; consequently, despite increased imports from foreign currency countries during this period, the excess of imports from

[1] *S.M.R. Sixth Report on Progress in Manchuria,* 1939, pp. 185—89.
2 *Far Eastern Survey,* 6 December 1939, pp. 279-84.
[3] ibid.
* *S.M.R. Sixth Report on Progress in Manchuria,* pp. 102-3.

these countries remained small. It amounted to MY.24 millions in 1938 and rose to MY.70 millions in the following year. It should also be noted that 'Manchukuo' had an apparently favourable balance of trade with China, which, however, was far more than offset by remittances to North China by Chinese immigrants in Manchuria. Japanese sources estimated that this meant an actual adverse balance of MY.200 millions in Manchurian trade with North China. The 'Manchukuo' authorities accordingly tried to limit this drain by imposing restrictions upon such remittances.

The Five-Year Industrial Development Plan resulted in a great increase in Japanese exports to 'Manchukuo', accompanied by a corresponding increase in Japanese investments in that country. Japan's own trade with countries outside the yen bloc became so heavily adverse during 1936-39 as to necessitate her making large shipments of gold abroad.[1] Then came the war in Europe, which cut off Japanese and Manchurian trade with the Axis Powers and threw Japan back completely on her own resources in the execution of the Manchurian industrialization programme, with the consequent difficulties recounted in a previous chapter.[2]

The outbreak of war also completed the change in the direction of Manchurian foreign trade which had been going on since the Japanese occupation of the country. The following percentage figures amply illustrate the trend:

TABLE XXIX

PERCENTAGE FIGURES OF MANCHURIAN FOREIGN TRADE[8]

	Japan and Korea		*Other Countries*	
Year	*Exports to*	*Imports from*	*Exports to*	*Imports from*
1931	38-5	43-0	61*5	57*0
1932	37-6	58-4	62*4	41*6
1933	46-7	65-9	53*3	34-1
1934	48-8	68-9	51-2	3i*3
1935	51-6	75-6	48-4	24-4
1936	48-4	77-3	51-6	22*7
1937	49*8	75-1	50*2	24*9
1938	57-5	77*9	42-5	22*1

As 'Manchukuo' was a disguised Japanese province and as the yen and the yuan were inseparably linked after 1935 Japanese-

[1] Schumpeter, op. cit. pp. 836-39. * See Chapter VIII.
* *Contemporary Manchuria,* Vol. Ill, No. 3, July 1939, p. 14,

'Manchukuo' trade was in a sense internal trade, an aspect which became pronounced when Manchurian trade became practically confined to the yen bloc, after the outbreak of the Pacific War. The extension of Japanese war-time controls over 'Manchukuo' and the abolition in 1944 of customs duties in Japan-*Manchukuo' commercial relations completed the amalgamation of the Japanese and the Manchurian economies.

The period 1932-37 also witnessed a marked change in the character of Manchurian foreign trade. In the import trade this took the form of a rise in the percentage of production goods as compared with consumption goods. The following table illustrates the change:

TABLE XXX

PERCENTAGES OF PRODUCTION AND CONSUMPTION IMPORTS, 1932-37[1]

Year	1932	1933	1934	1935	1936	1937
Production goods	22*3	29*9	36*7	37*5	32*1	39*4
Consumption,,	77*7	70*1	63*3	62*5	67*9	6o*6

In 193 8, the imports of production and consumption goods were approximately equal, and ensuing years witnessed a further trend in favour of production goods, a trend which was accentuated by Japan's difficulties in supplying Manchuria with consumer goods, which were subject to increasingly stringent rationing.

The following table shows the changes in the percentage values of different types of imports, classified according *to* industries:

TABLE XXXI

PERCENTAGE VALUES OF PARTICULAR IMPORTS, 1932-37*

Type	1931	1932	1933	1934	1935	1936	1937
Agricultural products	16	15	12	12	H	H	H
Forestry „	I	I	I	2	2	I	1
Aquatic „	I	2	2	I	I	2	2
Mineral	2	I	I	0	I	2	2
Metal industry	5	8	10	13	12	8	12
Machinery and tools	9	6	9	13	17	16	20
Chemical industry	13	12	15	15	13	13	13
Foodstuffs manufacture	15	19	18	14	14	11	7
Textile industry	30	29	26	21	20	25	23

[1] *Contemporary Manchuria,* Vol, III, No. 3, July 1939. p. 4-

[8] ibid., Vol. Ill, No. 2, April 1939, p. 10.

In exports Manchuria remained primarily a supplier of foodstuffs, raw materials and minerals, but the development of industries within the country caused some falling off in the proportion of her exports of minerals, chiefly of coal. The following table shows the percentage value of the principal exports, 1932-37.

TABLE XXXII

PERCENTAGE VALUES OF EXPORTS, 1932-37[1]

Type	1931	1932	1933	1934	1935	1936	1937
Agricultural products	48	54	56	60	53	60	57
Livestock „	3	2	2	2	3	3	4
Forestry „	1	1	1	1	1	1	1
Mineral ,,	10	9	12	10	11	7	7
Metal industry materials	2	3	3	3	3	3	3
Chemical „ „	27	25	20	17	21	19	21
Textile „ „	5	4	4	3	5	3	3

The two main items, agricultural products and chemical industrial materials—bean cake and bean oil—together amounted to 75 per cent of the total exports in 1931 and 78 per *cent* in 1937. The sharp fall in the percentage of mineral exports after 1935 reflects the growing Manchurian home consumption of coal and iron-ore, as the increase in the output of these commodities was a primary objective. Had the industrial planners been able to realize all of their objectives, Manchuria's production of industrial raw materials would have been more fully absorbed in her own factories and mills than proved to be the case. Difficulties in the supply of capital goods from Japan combined with the exigencies of war to modify the concept of Manchuria as a fully-equipped industrial base, and to integrate her economy with that of Japan; Manchuria supplying raw materials and semi-manufactured goods to be finally processed in Japanese factories.

[1] *Contemporary Manchuria,* Vol. Ill, No. 2, April 1939, p. 9.

CHAPTER XI

Urban Development and Social Welfare

ALTHOUGH the population of Manchuria has always been predominantly rural, the rapid pace of industrialization combined with the immigration of Japanese, Koreans, and Chinese into the towns to produce a marked rise in the urban population. In October 1940, the first detailed and accurate census was taken; it revealed the total population as 43*2 millions, with a further 1*3 millions for the Kwantung Leased Territory.[1] This showed an apparent increase of over 10 millions since 1930,[2] but there is little doubt that much of this increase was fictitious and that earlier incomplete data had resulted in an underestimation of the population. The actual population in 1930 was probably between 37 and 38 millions.

TABLE XXXHI

POPULATION OF PRINCIPAL TOWNS[8]

Name	*December* 1935	*October* 1940
Mukden	527,241	1,135,801
Dairen	362,808	555,562
Hsinking	311,521	544,202
Harbin	45^,379	661,984
Fushun	85,171	269,919
Antung	166,238	315,242
Anshan	33,127	213,865
Yingkow	129,310	180,871
Chiamussu	—	128,667
Kirin	128,754	173,624
Fushin	—	143,288
Chinchow	87,695	142,606
Mutanchiang	—	179,217
Tsitsihar	96,652	133,495

[1] *The Far East Year Book,* 1941, p. 610.

[1] See Chapter I, p. 4.

[8] l93£ figures from *S.M.R. Fifth Report on Progress in Manchuria,* pp. 151-2; 1940 figures from *The Far East Year Book,* 1941, p. 611.

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In 1940, approximately one-tenth of the total population was resident in cities of 100,000 inhabitants and upwards. The preceding table reveals the growth of the principal towns between 1935 and 1940. Making due allowance for census deficiencies in the 1935 figures the statistics for 1940 reveal not only a rapid growth in the populations of the greater cities, such as Mukden and Dairen, but also the swift development of mining and colliery centres, like Anshan and Fushun, under the stimulus of the Five-Year Plan. Furthermore, the effect of new railway construction in bringing into prominence and stimulating the growth of hitherto remote and relatively small towns like Mutanchiang and Chiamussu is especially apparent.

Although no general statistics are available for the period 1940-45, it is known that a further rapid increase occurred in the population of the leading cities. Mukden was by far the largest centre of manufacture and industry; the city and its environs, covering an area of 116 square miles, had in 1945 a population of nearly 3 millions. Hsinking, the 'Manchukuo' capital, was approaching the million mark which the Japanese had planned for it.[1] Dairen had over 600,000, while Mutanchiang and Chinchow were each towns of approximately a quarter of a million people. The main industrial centres of Southern Manchuria each had a substantial minority of Japanese residents; in Hsinking alone there were over 200,000 Japanese civilians.[2]

The Japanese had contributed materially to urban planning and construction in Manchuria prior to their seizure of the country in 1932. In the Kwantung Leased Territory, working on the basis of the original Russian plan, they had built a fine modern city at Dairen, while in the S.M.R. Zone Japanese 'railway towns' had been constructed with up-to-date sanitation, lighting, and paving, a state of affairs which was in contrast to the adjacent Chinese cities. The establishment of 'Manchukuo' gave greater scope to the Japanese urban designers and engineers, and of this they were prompt to take advantage. For both political and strategic reasons the Kwantung Army chiefs resolved to remove the Manchurian capital from Mukden, with its associations with the Chang regime, and they decided upon Ch'angch'un as the site for the

[1] Early in 1946 its population was given as 787,000. *China Newsweek, 21* February 1946, p. 10.
[2] ibid., 5 September 1946.

new capital, because its geographical location made it well suited to be the hub of a communications system controlling bodi southern and northern Manchuria. Furthermore, Mukden, or Shenyang, had a long and distinguished history; with its inner walled city and neighbouring Manchu tombs, it had something of the appearance of Peking. Outside the walls a modern Chinese business suburb had grown up, and to the south-west lay the Japanese railway town. A Japanese-built metropolis here, however large it grew, would always be somewhat overshadowed by the ancient and dignified Manchu capital.

At Ch'angch'un, on the other hand, the Japanese city planners had full scope to realize their ambitions for a new and impressive capital. In 1932, the Chinese town was a somewhat featureless place of about 110,000 people and lacked a modern water supply, sewerage system, or adequate lighting. On the north side of the Chinese town lay the Japanese Concession, a modern quarter, with a population of about 40,000.

On 16 September 1932, the 'Manchukuo' Government established a Capital Construction Bureau, staffed by Japanese city planning experts.[1] They drew up plans for the building of a city which should eventually extend over an area of 200 square kilometres, inclusive of the twenty-one kilometres of the extant town, and should hold a million people. The first five-year project, wliich was completed in September 1937, covered an area of twenty square kilometres situated south-west of the old town. The heart of the new city is the Tatung (Great East) Circle, in and around which the Japanese built most of the main governmental, financial, and commercial buildings. These are imposing edifices which exhibit a combination of Occidental and Oriental architecture.[2] From the Tatung Circle radiate the main boulevards or thoroughfares, with a width of from twenty-six to sixty metres, and having a central lane for motor traffic, and outer ones for horse-drawn conveyances and cyclists, with trees in between. The secondary streets range from ten to twenty-eight metres in width, with narrower side streets of less than ten metres in width.

The Japanese prided themselves on the six large areas *set* aside for parks, and on the extensive stadium which they built at

[1] *S.M.R. Fourth Report on Progress in Manchuria,* 1934, p. 144.
* *Contemporary Manchuria,* Vol. II, No. 1, January 1938, pp. 3-5.

Nanling. They reserved 7 per cent of the total Hsinking city area for parks, playgrounds, and stadia as compared with 2 per cent for similar purposes in Berlin, 2•8 per cent in Tokyo, 9 per cent in London, and 14 per cent in Washington.[1]

To ensure an adequate water-supply the Japanese built a huge reservoir at Chingyuehtan, with an area of seventy-eight square kilometres and a capacity of 27*7 million cubic metres, which the planners considered would provide an adequate water supply for 500,000 people. In addition a number of artesian wells were sunk, water mains and pipes laid, and pure water supplied to all sections of Hsinking. A modern drainage and sewage system was also constructed.[2]

Hsinking was built partly by public and partly by private enterprise; the Japanese contractors for the residential quarters built mostly two storey bungalows, to accommodate two families, and having a small lawn and garden plot. The larger offices and public buildings were steel-frame concrete or brick structures. The first five-year plan was completed in September 1937, at a total cost to the 'Manchukuo' Treasury of 38•6 million yuan.[3] The overall expenditure, public and private, on public utilities, roads, and ^buildings was estimated at 200 million yuan.[4] After the completion of the initial five-year programme the Capital Construction Bureau was abolished, and the succeeding stages in urban development were entrusted to the Hsinking Special Municipality. Foreigners who had seen Ch'angch'un before the Japanese conquest and who later visited the new 'Manchukuo* capital, paid tribute to the skill and energy shown by the Japanese in the construction of a great new city.[5]

The Japanese designed Hsinking to be primarily a political, administrative, and residential centre, and only secondarily an industrial one. They set aside part of the northern section of the new city to be the seat of a certain amount of light industry,[6] but the Economic Construction Programme of 1933 listed Mukden, Antung, Harbin, and Kirin as the chief centres of future planned industrial expansion. Of these, Mukden was obviously by far

[1] *S.M.R. Sixth Report on Progress in Manchuria,* 1939, p. 109.
* ibid., pp. 108-9.
[3] ibid., p. 107.
[4] *Contemporary Manchuria,* Vol. II, No. 1, January 1938, p. 3.
[6] *New York Times,* it September 1938; *New York Herald Tribune,* 26 August 1946.
[5] *S.M.K. Sixth Report on Progress in Manchuria* 1939, p. 109.

TABLE XXXIV

NUMBER OF FACTORIES IN TIEHSI, MUKDEN, JANUARY 1939[1]

Industry	*In Operation*	*Under Construction*	*Pro-jected*	*Total*
Textile	5	2	3	10
Metal	30	7	9	46
Machinery and machine-tools	15	6	12	33
Chemicals	10	12	12	34
Foodstuffs	15	1	1	17
Ceramic	5	3	2	10
Lumber and woodwork	8	0	3	11
Miscellaneous	19	5	6	30
Total	107	36	48	191

the most important, because of its location in the heart of the fertile and populous Manchurian plain, and of its proximity to the coal fields of Fushun and Penhsihu. The industrial possibilities of Mukden had long been evident to the S.M.R. Company, which had repeatedly endeavoured to purchase a large area of land lying west of the railway track for the purpose of laying out a new industrial quarter. Prior to 1931, its negotiations with the Chinese authorities for this purpose had been unsuccessful.[2] After the establishment of 'Manchukuo' the way was clear, and in March I935> the Mukden Industrial Land Company was organized, with an initial capital of MY.3*5 millions, jointly subscribed by the 'Manchukuo' Government and the S.M.R. Company. The Company was authorized to acquire land for industrial development purposes and to construct roads, public utilities, and other necessary prerequisities for factory building. So began the new industrial western suburb of Tiehsi. In 1937, the S.M.R. Company disposed of its holdings in the Land Company to the 'Manchukuo* Government which entrusted the management to the Mukden Municipality. By 1939 the Tiehsi development area had grown to approximately five square miles in extent, and there were already 107 factories in operation, thirty-six under construction and forty-eight projected, while 80,000 workers were being employed

[1] *S.M.R. Sixth Report on Progress in Manchuria,* 1939, p. 78. *ibid., p. 77.

in the district, including 63,000 residents.[1] A phenomenal increase in area, population, and industry took place in and around Mukden between 1939 and 1945.[2] The expansion was particularly marked in the metallic, machine-tool, and chemical industries, as may be observed from table xxxiv. The total capital involved in all these was estimated at MY. 300 millions.

While urban expansion took place on a greater scale in Hsinking and Mukden than elsewhere, it was by no means confined to these areas. Practically all the cities and towns that had been important before 1931 received added impetus to their growth through the industrial and constructional boom wliich was the chief feature of the epoch of Japanese rule. Moreover, the rate of growth and relative increase in size of newer centres which had hitherto been mere market towns, until transformed through the effects of rail and road building, was even greater than in the older-established urban areas. The following table of annual expenditures on new building in Manchurian cities gives some conception of the relative progress made:

TABLE XXXV

ANNUAL CONSTRUCTION EXPENDITURE, 193 3-38[3]

(in MY. 1,000)

Place	1933	1934	1935	1936	1937	1938
Hsinking	16,210	33,265	40,688	24,840	29,223	38,227
Mukden	14,413	20,523	18,245	10,038	21,774	45,600
Dairen	13,239	17,590	19,298	18,580	14,605	i7,47i
Mutanchiang	—	—	—	io,545	6,116	6,139
Anshan	3,628	6,133	4,354	2,617	4,464	17,673
Fushun	1,292	2,354	2,878	5,594	5,748	9,841
Harbin	3,566	11,249	14,590	6,550	4,296	10,008
Tsitsihar	—	—	—	4,751	2,178	3,039
Kirin	—	—	—	1,110	1,642	2,307
Chinhsien	—	—	—	2,233	1,019	3,306
Antung	—	—	—	1,292	843	966
Others	—	—	—	47,524	70,075	138,072

[1] *S.M.R. Sixth Report on Progress in Manchuria,* 1939, pp. 78-9.

* See p. 207 and Chapter VIII, pp. 163-4. Much of the suburban building in Mukden and other cities is characterized by the monotony and ugliness which so often accompanies Industrialization.

[3] *S.M.R. Fifth Report on Progress in Manchuria,* p. $7; *Sixth Report on Progress in Manchuria,* p. 107.

Most of the urban and industrial development occurred in southern and eastern Manchuria, relatively less in the north. For Harbin, the greatest centre of Russian population and influence, the first years of 'Manchukuo* witnessed a marked retrogression in commerce and industry. Disorder and banditry in and around the city added to the deleterious effects of the general economic depression during 1932-35, while a disastrous flood in the former year accentuated the distress. The sale of the C.E.R. to 'Manchukuo' in 1935 was followed by an exodus of Soviet Russian citizens and interests. The diversion of much of the transit trade from Harbin to the south Manchurian and north Korean ports constituted yet another blow to the city's prosperity. Its trade fell off from a total of 105 • 1 million yuan *in* 1930 to a mere 5 • 2 million in 193 6.[1] The number of bean-oil mills in operation fell from thirty-nine in 1931 to twelve in 1935, and the production of bean cakes from 17*9 millions in the former year to 3 • 8 millions in the latter.[2]

In these circumstances *it* is not surprising that the city found itself in serious financial difficulties and that ambitious plans of urban expansion had to be curtailed or postponed. In 1933, the municipal authorities formulated a thirty-year plan which envisaged an ultimate population of a million, and a city area of thrice the existing size. A City Construction Bureau was established at the end of 1934 and land purchases were begun in the following year. Work was started on a modern water supply system and a sewage system, while roads were constructed and parks laid out in the newly acquired city areas. There was an economic recovery after 1936 and a renewed growth of industry, especially of flour-milling, but nothing corresponding to the rapid industrial expansion which took place in the southern Manchurian cities.[3]

The people of Manchuria, in common with the Chinese in general, suffer from a high incidence of disease, owing to bad sanitary conditions, inadequate medical facilities, and ignorance of scientific methods of combating infectious disease. Plague, cholera, typhus, smallpox, and scarlet fever are especially prevalent and often reach epidemic proportions.

The Kwantung Government and the S.M.R. Company had by

[1] *Contemporary Manchuria,* Vol. II, No. 5, September 1938, p. 84. * ibid., p. 8$.
* *Manchuria,* 1 August 1940, p. 378.

1931 built up efficient health, medical, and quarantine services in the Leased Territory and in the Railway Zone. The Kwantung Government maintained five hospitals in the Leased Territory, while the S.M.R. Company had eighteen hospitals and six branch hospitals in the railway towns. The S.M.R. Company also maintained a Hygienic Laboratory Institute, a Tuberculosis Sanatorium, and an Animal Disease Research Institute. The Research institutes had done exceedingly valuable work in bringing out new vaccines for the treatment of human and animal diseases.[1]

In order to give the general populace in the Leased Territory and the Railway Zone an opportunity of benefiting from the modern medical services, the Kwantung Government and the S.M.R. Company had developed the practice of appointing and maintaining district physicians in the rural areas, whose task it was to co-operate with the local officials in disease prevention measures and to give a certain amount of general medical treatment. General quarantine and health administration measures were supervised by the Police Bureau of the Kwantung Government, and in the Railway Zone, by the Local Affairs Department of the S.M.R. Company.

When they took over Manchuria it was natural that the Japanese should extend the mediods winch they had previously enlarged and found serviceable. There was, however, a vast difference between creating an effective health service in the comparatively small areas hitherto under Japanese control and doing the same for all Manchuria. The general supervision of public health was placed in the hands of the Public Health Bureau of the Civil Affairs Department of the 'Manchukuo* Government. This body operated in conjunction with the police in carrying out quarantine and anti-epidemic measures. In the summer of 1932, a very extensive outbreak of cholera occurred in Manchuria, but the Japanese were eventually successful in stemming it, although not before it had claimed over 5,000 victims.[2] Subsequent outbreaks of plague, typhus and smallpox were also mastered, partly through extensive inoculation and vaccination of the populace in the disease-stricken areas.[3]

The task of raising the standards of personal hygiene and of effecting any general improvement of public health was a formid-

[1] *S.M.R. Fourth Report on Progress in Manchuria,* **1934, pp. 238-42.** * ibid., p. 237.
[8] *The Far East Year Book,* 1941, p. 832.

able one in a country the size of Manchuria, with its very limited medical facilities and its mainly rural population. The Japanese proceeded to extend the system of officially-appointed district physicians, with the object of having one for each hsien or county. After 1937 the 'Manchukuo' regime took over the administrative health services formerly maintained by the S.M.R. Company in the Railway Zone, and in 1940 it claimed to have fulfilled its programme of having one public medical officer for each district.[1] It also established 'People's Welfare Hospitals' and declared that it had over ninety of these in operation in 1940.

Some improvement was doubtless effected, but the intractable nature of the problem is revealed by a Japanese estimate that at the end of 1939 there were 22,500 medical practitioners in Manchuria, but that of this number, 18,400 were native doctors, trained in the traditional Chinese medical lore.[2] Thus, only a small minority had any knowledge of western medical science. In this connexion it should be remembered that the old-style Chinese medical practice includes a good deal that is useful and valuable; this especially applies to the use of drugs and herbal remedies. However, intermingled with sound knowledge is a vast amount of superstition and quackery, the latter aided by the lack of any uniform system of medical training or qualifying tests. There were reckoned to be 600 dentists and 700 pharmacists in Manchuria at the end of 1939, but of these only one-third of the dentists and two-thirds of the pharmacists were fully qualified.[3]

Moreover, most of the fully-qualified modern-style doctors preferred to remain in the rapidly growing cities, where their opportunities of building up a lucrative private practice, or of securing an important official post in one of the medical institutes were obviously greater than if they buried themselves *in* a remote rural area. Also the single Japanese or Japanese-trained physician in the hsien could not effect a great deal in face of the ignorance, conservatism, and hostility of the rural populace. The Japanese practice of burning the bodies of cholera victims offended Chinese religious sentiment, while the credulity of the peasantry made them give ear to stories that the Japanese buried alive persons affected by infectious diseases. Consequently the Chinese often endeavoured to conceal such cases.[4]

[1] *The Far East Year Book,* **1941, p. 830*** *** ibid., p. 829.** ***ibid.**
[4] ***Glasgow Herald,*** **10 September 1946.**

If Chinese fear and suspicion of the Japanese-sponsored regime told against its efforts to provide modern medical and health facilities, its own suspicion of any organizations which were not under its control had an equally unfortunate effect. From the autumn of 1935 Chinese Christians, including professors and doctors in the Mukden Medical College and other medical missionary institutions, were subjected to arrest and torture by the police on suspicion of anti-'Manchukuo' activities. A good many mission-trained Chinese doctors found it advisable to leave the country.[1] After 1941 foreigners were no longer immune, and Allied missionary institutions were suppressed. Thus medical and educational work under missionary auspices was largely terminated.

Moreover, any general improvement in standards of health is dependent upon the amelioration of living conditions. So far as the rural populace was concerned it has already been observed that the Japanese made no attempt to carry out measures of social reform among the Chinese peasantry.[2] Their agrarian policy was directed to inducing the farmer to raise specialized crops, and to sell these to the Japanese purchasing monopolies. The reluctance of the Chinese farmers to comply unless they secured an adequate price and a reasonable supply of consumers' goods compelled the Japanese to make some concessions to them in these respects, so that, except in times of drought or flood, the peasantry do not seem to have suffered any diminution of their living standards, and may even have profited through evasion of the Japanese controls.

It was otherwise with the Chinese labouring classes in the rapidly growing towns. The 'Manchukuo' regime extended its system of controls to labour, as to all other spheres. In 1938, a Labour Control Law was enacted which gave to the Manchurian Labour Association, a Governmental organ, authority to supervise the general recruitment of native labour, the issue of labour cards, which workers *in* practically all branches of employment were required to possess, the direction of labourers to the industries which had priority in the officially planned development schemes, and any other matters which the Government might

[1] T. R. Morton, *To-day in Manchuria* (London, Student Christian Movement Press, '939) PP- 65-104.

[2] See Chapter IX.

specify. Labourers recruited from outside Manchuria came in the first instance under the jurisdiction of the Department of Public Peace, but could equally be directed to specific jobs by the Labour Association or its designated agents.

There was thus a comprehensive system of labour controls in 'Manchukuo' well before the outbreak of the Pacific War. Labour conditions in Manchuria, in common with all China, were characterized by long hours—a twelve-hour day and a seven-day week being common—low wages, and a contract labour system which gave rise to many abuses. Child labour, especially in the textile industries, was widespread, and such labour and factory legislation as existed remained on paper only. The Japanese, who were anxious to obtain as much cheap unskilled labour as possible in view of the high cost of factory construction and of raw materials in Manchuria, simply took over and extended the system they found there. Moreover the Chinese worker was at the bottom of the social scale and received a substantially less wage than Japanese labourers in the same occupations. The following table reveals the extent of the difference:

TABLE XXXVI

AVERAGE DAILY WAGES IN MANCHURIAN CITIES
DECEMBER 1938[1]
(in MY.)

Occupation	*Dairen*	*Mukden*	*Hsinking*	*Harbin*
Carpenter (Japanese)	3 '20	3-50	4'30	4*20
,, (Chinese)	1-50	2*10	1*70	I* 60
Plasterer (Japanese)	3'50	4-50	4-00	4*20
(Chinese)	1-50	2-10	i-75	1-70
Ordinary labourer (Japanese)	2*00	3-50	2-70	2-80
„ „ (Chinese)	o.6o	I-IO	I'00	0-80

Japanese labour was needed in Manchuria to serve the needs of the growing Japanese administrative and business communities there, but, at a time when armament and heavy industrial expansion in Japan was creating a demand for labour and was reducing unemployment in that country, Japanese workers could be attracted to Manchuria only by the lure of extra remuneration. It was traditional for Japanese, whether officials or labourers, to

[1] *The Far East* ***Year Book*****, 1941, pp. 852-3,**

receive much higher remuneration in Korea and Formosa than in Japan and they naturally looked for the same inducements in Manchuria, where the climate was harsher and living conditions more alien than in the Japanese colonies proper.

Any large increase in the costs of Chinese labour would have added to the financial difficulties of the Manchurian Industrial Development Plan, and the 'Manchukuo' regime endeavoured to prevent such an increase by establishing fixed official wage rates and also by 'freezing' commodity prices. But conditions in Manchuria were such as to defeat official efforts to keep the cost of living stabilized. The mushroom growth of the industrial areas, with the consequent large increase in their populations, created an enhanced demand for food, clothing and general consumers' commodities. But, especially after 1937, the officially-planned and directed industrialization programme was devoted to the production of capital goods, and of minerals for the use of Manchurian and Japanese war industries. The import trade was stringently regulated to serve the same ends. At the same time the Manchurian farmers were loath to dispose of their surplus foodstuffs to the official purchasing monopolies. Transportation difficulties were a further factor in hampering the flow of supplies to the urban areas. Consequently, during 1937-41 there was an increasing shortage of food, clothing and general consumer goods in the towns. The 'Manchukuo' regime endeavoured to meet this by means of a rationing system which was gradually extended to cover most foodstuffs and clothing.[1] As invariably happens when governments embark on rationing and price controls, there was widespread evasion and black-market practices. These conditions were accentuated in Manchuria by the inefficiency and corruption which characterized the 'Manchukuo' regime, and by Chinese hostility towards their Japanese rulers, a feeling which was deepened by the way in which the Japanese and Korean inhabitants were favoured both as to the amount and *the* availability of rationed commodities.

Another cause of rising prices was the increase in note circulation, especially after 1936 when the *Manchukuo' Government came to rely to an ever-growing extent on internal loans in order to raise its share of the funds for industrial expansion.[2] Consequently, despite the official controls the cost of living grew

[1] *New York Times,* 5 **August 1941.** • **See Chapter VII.**

steadily higher. The official estimate of the rate of increase is shown in the subjoined tables:[1]

TABLE XXXVII

HSINKING WHOLESALE PRICES (1933=100)

Year	Cereals	« Foods	Textiles	Hardware	Building Materials	FueU	General Average
1936 (Average)	115. 8	105.6	91.8	94.9	92.9	91-:2	106.1
1937 „	134.4	112.5	io6-5	98.6	161.7	106.6	125.1
1938 „	141.6	124.9	151.6"	106.9	211.6	I28.<5	149.6
1939 (Sept.)	206.6	160.9	194.7	135.0	152.0	167MD	186-8
1939 (Dec.)	249.3	178.8	195.7	I51.7	152.0	171.:1	198-2
1940 (July)	325.9	205.2	228.1	254.5	186.4	180.;2	240.7

TABLB XXXVm

HSINKING COST OF LIVING INDEX (1936 averagestoo)

Year	Food	Clothing	Housing	Fuel and Light	General Average
1937 (Average)	110.9	106 • 6	102.5	101.0	106.8
1938 „	124.1	142.3	107.7	110.6	124.5
1939 (Sept.)	168-7	217.4	I39.i	136.5	164.7
1940 *(Dec.)*	194.8	235.0	158.0	166.9	184.9
1940 (July)	233.2	339.2	170.0	182.5	225.4

The actual price increases were believed to be much higher than the official estimates and many of the necessities of life could be obtained only on the black market. The result was that the poorer classes, who could not afford black-market prices, suffered acutely. The shortage of clothing was particularly severe, but cereals and soya bean oil for cooking were also very scarce. So was coal, which was ear-marked for industry in Manchuria or for export to Japan and was insufficient even for these purposes, so that very little could be spared for the domestic consumer. There was consequent widespread suffering among the urban populace during the bitter Manchurian winters.[2] The official rations for the Chinese consisted of monthly doles of a few pounds of maize and millet, with very little in the way of meat, cooking fats, or vegetables, and those who were unable to supplement these

Oriental Economist, December 1940, p. 738.

·*Christian Science Monitor,* 11 February 1941.

meagre rations by undercover purchases suffered severely from mahiutrition.

These adverse factors were naturally accentuated during the war years, 1941-45. The general average price index (1933 = 100) reached 346- 6 in December 1943; and the index figure for cereals was 463* 6. This, however, was a year of poor harvests, and there may have been some amelioration in the following year when the crops were better. Most of what the Japanese could extract from the farmers, however, went to meet the needs of the Japanese fighting forces. At the same time as economic conditions worsened, the pressure of officialdom upon the people became heavier. The economic controls were made increasingly stringent, and compulsory labour in factories and on roads and defence works became general.[1] Taxation was heavily increased and compulsory savings in order to raise funds for industrial expansion constituted a further heavy burden on the populace. Consequently, the new urban areas of Manchuria, with their pretentious administrative buildings, large factories, parks, and playgrounds were in 1945 inhabited by people whose health had been largely undermined by underfeeding and by over-long hours in the factories.[2]

The sufferings of the urban communities in Manchuria, however, do not appear to have been as severe as those of the people in the Japanese-occupied cities of northern and central China. Living costs were higher and commodities even scarcer in these areas than they were in Manchuria, a situation which resulted in many illicit exports from 'Manchukuo' into China south of the wall. Although, as already pointed out, the Japanese had difficulties, mostly of their own making, in obtaining food supplies from the rural community in Manchuria, at least they did exercise control over most of the Manchurian countryside whereas their hold upon the rural areas in the rest of occupied China was extremely limited, since here most of the agricultural regions was controlled by resistance movements of one kind or another. This situation did. not prevent commercial intercourse between town and country or between invaded and uninvaded China, but it made it illicit, uncertain, subject to many barriers and tolls, and always liable to be interrupted by military operations. Furthermore, the 'Manchukuo' yuan was a sounder currency than the Japanese-sponsored North China paper dollar. Neither did the

[1] *Far Eastern Surrey,* 12 July 1944, p. 133. * *The Scotsman,* 31 December 194J.

degree of inflation in Manchuria compare with that which occurred in Free China nor did the cost of living reach such astronomical heights. Finally, until the summer of 1945 the Manchurian cities were virtually free from the havoc of land and aerial warfare which had devastated so much of die rest of China. A few long-range B29 raids on Anshan and Mukden had hit industrial targets in those cities, but were as nothing compared with the terrible fire raids upon Japan's Own cities.

CHAPTER XII

Events in Manchuria, 1945-47

BY the summer of 1945 Japan was facing irretrievable defeat. Her fleet was mostly destroyed, her air forces were sorely crippled by lack of fuel and inability to replace losses, and her industrial cities devastated by repeated aerial bombardment. The populace in general was apathetic and war-weary, its morale was undermined mainly by chronic under-nourishment. Sea communications between Japan and the nearby Asiatic mainland were reduced to a minimum through catastrophic losses in the Japanese mercantile marine, so that she could no longer draw supplies from her 'Inner Defence Zone', Korea and Manchuria. The loss of Okinawa foreshadowed an American invasion of the Japanese homeland, as well as naval and aerial operations in the Korean Straits and the Sea of Japan, which would complete Japan's isolation from the Asiatic mainland. At the same time, the mainland territories which she still held were threatened by the prospect of Russian armed intervention against her.

The formation of 'Manchukuo' in 1932 had been followed by recurrent border clashes between Japanese and Soviet forces, which had culminated in the extensive fighting in the Nomonhan region during the spring and summer of 1939. The outbreak of the war in Europe had induced both Powers to patch up their differences and the boundary questions had been resolved by a Frontier Delimitation Commission in 1940. In April 1941, a Pact of Neutrality had been concluded between the U.S.S.R. and Japan to run for an initial period of five years. It was accompanied by a Joint Declaration in which the U.S.S.R. recognized the territorial integrity and inviolability of the 'Empire of Manchukuo' and Japan gave a similar pledge widi respect to the People's Republic of Mongolia.

In April 1945 the Soviet Government informed the Government of Japan that the Neutrality Pact would not be renewed. It was not technically due to end until April 1946, but the accompanying Soviet contention that Japanese assistance to Germany constituted a violation of the Pact was a warning to Japan that

Russia might enter the field against her at any time.[1] The Soviet Government was in fact pledged to do this. In the secret agreement concluded between President Roosevelt, Mr Churchill, and Marshal Stalin at Yalta on n February 1945 (which was made public by the Department of State a year later), the Soviet Government had given a definite commitment to take up arms against Japan within two or three months after Germany should surrender. In return it had been agreed that the Russian rights and possessions lost to Japan by the Treaty of Portsmouth in 1905, should be restored. These were defined as the restoration of the Kurile Islands and of southern Sakhalien, and, in Manchuria, the internationalization of Dairen, with safeguards for the pre-eminent interests of the U.S.S.R. in that port, and the lease of Port Arthur as a Soviet naval base. It was furthermore agreed that the C.E.R. and the S.M.R. should be operated as a joint Sino-Soviet undertaking, likewise with safeguards for the pre-eminent interests of the U.S.S.R. in these railways. The Yalta Agreement was made without the participation or consent of the Chinese Government, which had been previously promised, at the Cairo Conference, that Manchuria would be restored to Chinese sovereignty. At Yalta it was agreed that the stipulations respecting Manchuria would require the future concurrence of the Chinese Government, although a further clause which stated that the Soviet desiderata would be 'unquestionably fulfilled* after the defeat of Japan suggests that in any case China would have had to acquiesce.

The Chinese, especially in view of subsequent happenings in Manchuria, have felt humiliated and aggrieved over the Yalta decisions. The readiness of the American and British Governments to pay the stipulated price for Soviet intervention against Japan appears to have been due to their belief that the Japanese forces on the Continent of Asia might put up a long and bitter resistance, even after the subjugation of Japan itself. In particular it was thought that the Kwantung Army, backed by the war industries established in Manchuria, might prove a tough nut to crack unless Soviet forces were available.

The strength of the Kwantung Army was apparently much overrated. According to a Japanese source, it had by the summer of 1945 been reduced by withdrawals of units to aid in the

[1] Though the Japanese do not appear to have realized that the U.S.S.R. meant to enter the war against them until Mr Soong's visit to Moscow in July 1945. J. F. Byrnes, *Speaking Frankly* (New York, Harper; London, Toronto, Heinemann, 1947), p. 2u.

defence of the threatened homeland.[1] Moreover, the Cabinet of Admiral Baron Suzuki, which took office in April 1945, was in fact appointed to try and secure any peace terms short of unconditional surrender.[2] In an attempt to buy off the U.S.S.R. it is said to have offered to make Manchuria a neutral zone, from which Japanese troops would be evacuated on the understanding that no Russian forces would enter. The Japanese Cabinet also asked for Russian mediation in an attempt to secure peace terms from the victorious Allies.[3] But these overtures proved vain. On 8 August 1945, Mr Molotov informed Mr Sato, the Japanese Ambassador in Moscow, that Great Britain and the United States had requested the Soviet Government to join in the war against Japan and that the Soviet Government had accepted the invitation and also associated itself with the Allied demand, made at Potsdam on 26 July, that Japan should surrender unconditionally. War would therefore begin as from the morning of 9 August.[4]

The Russians had been moving troops to the Far East since the capitulation of Germany and had assembled a formidable force, under the general direction of Marshal Vassilievsky.[5] The Japanese Army in Manchuria, under General Otozo Yamada, was not only outnumbered, but heavily outmatched in artillery and armour. On 9 August it was assailed by one Soviet army, under General Meretskov, moving from the Vladivostok area upon northern Korea and eastern Manchuria; by another, under General Purkayev, which crossed the Amur into North Manchuria, and by the third, the main force, under Marshal Malinovsky, which struck from the north-west towards Hailar and the Hsingan range. On Malinovsky's right flank was the Outer Mongol army, under Marshal Choibalsan, which moved upon Chahar and Jehol; Outer Mongolia having duly copied its Soviet protectors in a war declaration against Japan.[6]

[1] M. Kato, *The Lost War* (New York, Alfred A. Knopf, 1946), p. 17. The crack divisions which were withdrawn were replaced by inferior reserve units.

[2] ibid., p. ic.

[3] ibid., pp. 231-3c. The Japanese Government offered to send Prince Konoye to Moscow to reveal Japan's peace offer and to ask for Russian mediation. The Soviet declaration of war said that Japan had declined to surrender unconditionally. Kato says that apparently the Russians took belligerent comments in the Japanese Press at their face value, whereas actually the Japanese Government was still studying the Potsdam Declaration, which in form was not completely unconditional.

[4] *The Times,* 9 August 1945.

[5] Seventy divisions, according to Marshal Stalin. The Japanese may have had forty. Byrnes, op. cit., p. 217.

• *The Times,* 23 August 194c.

The Japanese defensive units on the frontier were speedily either penetrated or by-passed and the Russian armoured divisions swept in towards the heart of the country, Malinovsky in particular making an especially rapid advance, relying on transport aircraft for water and fuel supplies. The Japanese appear to have fought with their accustomed courage, although the 'Manchukuo' auxiliaries made little effective resistance. Operating in conjunction with their land forces, Russian aircraft bombed the chief Manchurian cities and communication lines and considerable damage occurred in Ch'angch'un and Mukden. By 14 August, when Japan capitulated, Malinovsky's forces had crossed the Hsingans and were moving on Tsitsihar, while in western Manchuria they had taken Wangyehmiao, Halunarshan, andT'ungliao. On the east the Russians had fought their way into Mutanchiang and Chiamussu, while a Russian naval landing force had taken the north Korean ports of Seishin, Rashin, and Yuki, after a preliminary naval and aerial bombardment. Although all fighting did not cease immediately upon the Japanese Emperor's call to his troops to lay down their arms, large-scale organized resistance speedily ended and Russian advance airborne detachments swiftly occupied Harbin, Kirin, Ch'angch'un, Mukden, Dairen and Port Arthur. On 23 August, Stalin announced the victorious end of the struggle with Japan. The Russians gave their casualties as 8,219 killed and 22,264 wounded, and put Japanese losses at 80,000 killed.[1] They claimed to have taken 594,000 prisoners, including troops in northern Korea and Karafuto; it is not clear if this very large figure also includes 'Manchukuo* forces. Soviet publicists and officials, including Stalin himself, have asserted that their overwhelming of the Japanese in Manchuria was the decisive factor in inducing the Tokyo Government to capitulate. It would be profitless to discuss the validity of this assertion, but the fact that it is made deserves record, as influencing the Russian attitude towards China, including Manchuria, and to Far Eastern questions generally.

Russian sources declare that the entry of their troops into the Manchurian cities was greeted with enthusiasm by the Chinese inhabitants and this may well have been the case, since the Chinese as a whole had never willingly accepted Japanese domination. But the excesses of the Russian troops soon produced a very different

[1] *The Times,* n September 194$.

feeling. It appears to be the custom of Russian commanders to allow full license to their soldiery for, at any rate, the first few days after their entry into a conquered city, whether it be on enemy, or enemy-occupied soil. Foreigners in Mukden at the time of the Russian occupation described the reign of terror winch ensued.[1] British and American correspondents who visited Manchuria in late 1945 and in 1946, testified to the terror with which the Soviet troops still inspired the inhabitants; the newspaper men spoke of women hiding from them until assured that they were not Russians, and of others disguised as boys, or with blackened faces. In this there was no difference between the various nationalities.[2] 'Ta pi tzu pu hao'—the big noses (Russians) are no good—was a frequent Chinese comment. The general fear and hatred aroused by the conduct of the Soviet troops may come to have important political consequences in the future. One correspondent who visited Mukden in 1946 declared that the Russians were more disliked than even the Japanese had been, since the Japanese had after all come to build up Manchuria, the Russians only to destroy.[3]

The Russians, however, were not responsible for all the looting. As happened elsewhere, for example at Hong Kong in 1941, a great deal of damage was done by the Chinese mob, which seized the opportunity to strip houses and factories for loot and firewood, leaving many of them a gutted shell. In some cases this happened after the Japanese retreated and before the Russian occupation; in others it took place in conjunction with Russian pillaging.

Meanwhile, on 14 August 1945, a treaty of friendship and alliance, supplemented by four subsidiary agreements and two exchanges of notes, had been concluded in Moscow between the Soviet Union and China. The stipulations regarding Manchuria were, firstly, that the Port Arthur naval base area should be jointly used by the U.S.S.R. and China for a period of thirty years, the actual defence to be entrusted to the Soviet Union, and the military administration to be in the hands of a Sino-Soviet Military Cornmission of five, including three Soviet representa-

[1] *Christian Science Monitor,* 12 October 194c. Japanese armies were guilty of appalling excesses, both in China and elsewhere, and had the Russians dealt harshly with only Japanese nationals in Manchuria this would have appeared as just retribution. But the indiscriminate looting and raping inflicted upon the unoffending Chinese by the Russians naturally aroused the keenest indignation.

[2] *The Scotsman,* 27 and 31 December 1945; *Chicago Daily News,* 16 March 1946.

[3] A. T. Steele, in *New York Herald Tribune,* 9 March 1946.

tives, one of whom should be the chairman. Civil administration was to be in the hands of the Chinese, but appointments and dismissals were to be made by agreement with the Soviet Government. This gives the U.S.S.R. *de facto* control of an area extending to longitude 30^{0} 20' N., and latitude 123° 8' E., or approximately over the former Kwantung Leased Territory, exclusive, however, of Dalny. Dalny was to be a free port open to the trade and shipping of all nations, but certain piers and warehouses were to be reserved on lease to the Soviet Union, and the harbourmaster was to be a Soviet national, chosen by the Soviet manager of the Ch'angch'un Railway in agreement with the Mayor of Dalny; the deputy harbourmaster was to be a Chinese national, but appointed in the same fashion. Russian imports and exports passing through Dalny and via the Ch'angch'un Railway were to be free of customs duties. The military regime established at Port Arthur was to be extended to Dalny only in the event of war with Japan. As no peace treaty has been concluded with Japan the Russians justify their continual occupation of Dalny on this score, and have refused to open the port to general commerce.[1]

The railway agreement provided for the uniting of the main trunk lines of the C.E.R. and the S.M.R. in a single system which was to be called the Chinese Ch'angch'un Railway. This was designated the joint property of the U.S.S.R. and China and was to be jointly administered. The agreement further stated that 'only that land and those branch lines will be joint property and jointly administered which have been constructed by the C.E.R. in the period of Russian and joint Soviet and Chinese administration, as well as by the S.M.R. during the period of Russian administration, which are intended for the direct requirements of the railways, as well as subsidiary undertakings serving these railways, and constructed in the peiiod of time mentioned above.'[2] All other Manchurian lines and subsidiaries were to be the full and exclusive property of the Chinese Government. General control was vested in a Sino-Soviet Commission of ten members, in equal proportion from both nation ah ties, with, however, a Chinese chairman, with a casting vote, and a Chinese vice-chairman. Management was to be entrusted to a Soviet director, with a Chinese deputy, so that in general the adnrinistrative provisions resemble those *in* effect in respect of the C.E.R. between 1924 and 1929 and they

[1] *New York Times,* 13 September 1947. [2] ibid., 27 August 194$.

would, in practice, effectively safeguard Soviet interests. The Chinese Ch'angch'un Railway was expressly designated a commercial enterprise which could be used for the transportation of Soviet troops only *in* case of war with Japan, while the Chinese Government was made responsible for guarding the railway and for the organization and control of the railway police. The joint adrninistration was to continue for thirty years, after which the line was to pass completely under Chinese ownership without compensation *to* the U.S.S.R.

The general effect of these agreements is to give to the Soviet Union, substantially, though not completely, the position enjoyed by Imperial Russia from 1898 to 1904; the chief differences being the absence of any extraterritorial rights for Soviet citizens, and of the administrative and police powers claimed and exercised by the Tsarist regime *in* the C.E.R. railway zones. The agreement provided for the appointment of Sino-Soviet commissions to draw up a detailed statute for the management and operation of the railway, and to define exactly what property came under joint control, but the political situation has hitherto prevented this from being done. Much depends on the interpretation of the cumbrous clause concerning subsidiaries of the Chinese Ch'angch'un line, and this will probably be a source of disagreement and of friction.

The Chinese Government, which was aware that, in view of the Yalta agreement, it had no option but to yield to the Soviet demands, accepted the Treaty of Moscow with a good grace, doubtless hoping to find some compensation in the Soviet treaty obligation to respect Chinese sovereignty and to abstain from intervention in Chinese internal affairs. The servitudes imposed in respect of Manchuria, while irksome, especially to a regime which had long striven for the abrogation of foreign special rights and privileges throughout China, left China the undisputed sovereign over nearly all of the north-east and did not of themselves imply Soviet domination of its economic life. Consequently, the favourable Chinese Press comment on the Treaty at the time of its publication, although undoubtedly caused by official prompting, need not be taken as completely insincere.

But very bitter feelings were soon aroused when it became known that the Soviet Government, in a memorandum to China of 21 January 1946, declared that it regarded as its war booty all Japanese enterprises in Manchuria which had rendered services to the Japanese Army, and that in pursuance of this principle the Soviet occupation authorities in Manchuria were removing large quantities of industrial equipment to the Soviet Union. In reply to the identical notes concerning the disposition of Japanese external assets sent by the United States Government on 9 February 1946 to the Soviet and Chinese Governments, the latter Government declared that the Soviet claim was considered 'as far exceeding the scope of war booty as generally recognized by international law and international usage'.[1] These protests were disregarded by the Soviet Government.

The motives of the Russians in so acting were considered to be the desire to recoup themselves for their own catastrophic losses in industrial equipment in consequence of the German invasion of the Soviet Union, and to strike a crippling blow at Manchurian industrial potential. They knew that it had been built up by the Japanese Kwantung Army primarily to serve that force in a war against the Soviet Union and they apparently suspected that it might again be so used, particularly if China received American aid in the rehabilitation and technical direction of her industries. This may serve to explain, though not to excuse, the Soviet action.

It is incorrect to speak of the stripping of Manchurian industries by the Russians. Apart from the physical impossibility of such a task, the Russians were selective in their removals. They appear, however, to have wantonly destroyed a certain amount of what they did not, or could not, take away, while by the removal of key parts they paralysed much of the equipment which they left intact. The most comprehensive estimate of the effect upon the Manchurian industrial structure was that made by Mr Edwin Pauley, the United States Reparations Commissioner, who paid a visit to Manchuria in June 1946, and submitted a Report to President Truman. The Report states that 'the Soviets did not take everything. They concentrated on certain categories of supplies, machinery and equipment. In addition to taking stockpiles and certain complete industrial installations, the Soviets took by far the larger part of all functioning power-generating and transforming equipment, electric motors, experimental plants, laboratories and hospitals. In machine-tools, they took only the newest and

[1] D. H. Lew, 'Manchurian Booty and International Law', *American Journal of International Law,* Vol. 40, No. 3, July 1946, p. £84.

best, leaving antiquated tools behind.'[1] The Report furthermore states that: 'How much of **the** wrecked condition is a direct result of Soviet removals and how much may be ascribed to pillage, civil war, and indirect consequences of the Soviet occupation cannot be accurately determined. Mr Everett D. Hawkins, who in 1946 was Director of the Mukden Office of the U.S. Information Service, says that 'The general belief is that the Japanese had to cannibalize a certain number of their machines towards the close of the war to keep certain plants going, that the small tools, equipment and materials which are being sold in some of the black "open" markets in Mukden were looted by the Chinese, but that the generators and heavy equipment were systematically taken by the Soviets, put in railroad cars and sent up north, probably to Siberia.'[2]

The Pauley Report gave the following estimate of the total damage sustained by Manchurian industries from all causes, during the period of Soviet occupation.

TABLE XXXIX

SUMMARY OF DAMAGE TO BASIC MANCHURIAN INDUSTRY

Industry	*Monetary Loss (in U.S. millions)*	*Percentage Reduction in Productive Capacity*
Electric power	201	71
Coal	100	—
Iron and steel	141'26	51-IOO
Railroads	137*16	—
Metal working	150	80
Non-ferrous mining (Coal excepted)	10	75
Liquid fuels and lubricants	H-68	65
Cement	23	50
Chemicals	14	50
Textiles	38	75
Paper and pulp	7	30
Radio, telegraph, telephones	25	20-100
Total	858-1	

[1] *New York Times,* 14 December 1946.

* E. D. Hawkins, * Manchuria's Post-war Economy,' *Far Eastern Surrey*, Vol. XVI, No. 3, 12 February 1947, p. 35".

This total of U.S. $858-1 millions is the estimate of direct damage; the Report put the total cost of replacements to offset both removals, destruction, and general deterioration at U.S. $2,000 million. This figure it gave as a conservative estimate. It should be emphasized that the Pauley Mission was not able to make a comprehensive survey of all Manchuria, and that Mukden, Ch'angch'un and Anshan suffered especially heavily. Press correspondents who visited Chinchow did not find the same degree of devastation, especially in the textile industry there which they said was almost intact. The Russians have challenged the Pauley figures as exaggerated[1] and the Chinese Communists in Manchuria also declared that the length of time required to make good the damage would be much less than the generation mentioned by Mr Pauley. Moreover, even if the figures of the Pauley Report be accepted, it remains true that there is still much more industrial plant in Manchuria than the Chinese could fully operate even if internal peace were restored. The general paralysis of industry and trade which at present (1947) affects the region is due more to disturbed political conditions, lack of capital and raw materials and to the absence of an adequate managerial and technical personnel, in consequence of the repatriation of most of the Japanese civilian population, than to Russian seizures.

Chinese resentment and dismay at the Soviet action in regard to Manchurian industries was increased by the prolongation of the Soviet military occupation and by some evidences that the Russians were disposed to widen the economic rights and privileges secured to them by the Treat) of Moscow. According to Chinese financial sources the note circulation of the 'Manchukuo* yuan amounted to some 8,000 millions at the time of the Soviet intervention. The Russians were said to have issued a further 5,000 millions and also 3,000 million dollars' worth of their own military scrip.[2] They furthermore were said to have confiscated large quantities of bullion from the Manchurian banks. The Russians utilized their note issues to buy up Japanese civilian properties which could not by any stretch of imagination be brought under the heading of war booty, such as hotels, motion picture theatres, breweries, offices, and private residences. In Mukden alone they

[1] The Soviet estimate of the value of their removals from Manchuria is U.S. $97 millions. Byrnes, op. cit., p. 22 r.

2 *New York Times,* 10 March 1946.

claimed to have acquired ownership of forty-one such properties.[1] Their purchases were reported to have included the holdings of Tschurin and Company, the largest wholesale and retail mercantile organization in North Manchuria, a transaction which was effected in ignorance or disregard of British financial holdings in this Company.[2] These purchases were effected by Vneshtorg, a branch of the Commissariat of Foreign Trade, and by other Soviet commercial and financial agencies. At the same time there were reports from Mukden and Chungking that the Russians were demanding joint control of a number of Manchurian industries as the price of their withdrawal from the country, and possibly of the return of some of the machinery which they had taken.

The consequent alarm and resentment in China found expression in articles in the Chinese Press in the spring of 1946 which sharply criticized the Yalta and Moscow agreements, and in student demonstrations against the actions of the U.S.S.R. in Manchuria. The fears aroused by Soviet policy were accentuated by the general course of political events in Manchuria, and especially by the influx of the Chinese Communists.

Although there had long been Communist elements among the Chinese and Korean anti-Japanese guerrilla elements in eastern Manchuria, and underground liaison with the Chinese Communists in Hopei and Chahar, the Yenan regime had no hold upon the country in general before August 1945. According to a Chungking report, General Chu Teh, on 11 August 1945, ordered Communist forces to proceed to Manchuria to co-operate with the Soviet Army, and to be ready to accept the surrender of the Japanese and the Manchurian puppet troops. The Russian mihtary authorities were said to have refused to allow the Communists to come in as military units but to have let them in as 'civilians'—presumably without visible armaments.[3] Both Soviet and Chinese Communist sources denied that the Russians turned over any Japanese arms and military equipment direct to the Chinese Communist forces. The Communists averred that they secured such

[1] *New York Herald Tribune,* 26 March 1946. It is doubtful if there was much bullion to remove. If Russian removals from Manchuria are to be counted as part of the Soviet share of reparations from Japan, there is an obvious Chinese interest in putting a high estimate upon them and an equal Soviet one in rating them low.

• *New York Herald Tribune,* 26 and 27 March 1946.

• Weir *York Times,* 30 October 1945.

equipment from Japanese dumps in places which the Russians had not occupied.[1] Something of the sort may well have occurred, not, of course, without collusion; the Russians probably did not want to commit any overt or flagrant breach of their Treaty of Alliance and Friendship with China. It should be borne in mind that the Russians are apt to show a great deal of arrogance and superiority towards foreign Communists and also that some of them seem to despise all Chinese, as a 'people of low culture'.[2]

Part of the Communist forces came into Manchuria by land, through Inner Mongolia and Jehol, and part by boat and junk from the Communist-dominated areas of Shantung; those who came by sea included elements of the New Fourth Army. In an effort to secure support by playing on Manchurian local particularist sentiment the Communists brought with them some officers of the former north-eastern army of the * Young Marshal,' Chang Hsueh-liang, who, since his part in the famous kidnapping of the Generalissmo at Sian in December 1936, had been a prisoner of State in Kweichow. He was removed to Formosa after the surrender of Japan. One of his younger brothers, Chang Hsueh-shih, was among the exiled Manchurians brought back by the Communists; he had apparently been indoctrinated at Yenan, and was made Chairman of the 'Liaoning People's Government'. The other, Chang Hsueh-ming, secured a post under the Kuomintang in Mukden. In Manchuria the Communists made contact with local resistance forces which had come into the open following the collapse of the Japanese Army and the 'Manchukuo' regime. In particular, they linked up with an anti-Japanese Volunteer Army under the command of General Chou Pao-chung, who had been operating in the mountain regions of eastern Manchuria, while they proceeded to enhst recruits from the areas into which they infiltrated. These various elements were put under the supreme command of General Lin Piao, a leading light of the Yenan administration, and called the 'Democratic Unity Army,' although even Chou En-lai admitted that the unity was somewhat loose. The Communists then proceeded to organize local 'People's Governments' in the hsien, or counties, which they overran, and

[1] *New York Herald Tribune, 15* March 1946.

[2] A phrase used by the Russian commandant at Mukden to a correspondent. *Chicago Daily* News, 16 March 1946. At the Moscow Conference in December 1945, Marshal Stalin laughed at Chinese Communist estimates of their forces. Byrnes, op. cit., p. 228.

these sent delegates to a provincial regime; one such was organized in the Kirin area in December 1945.[1]

Among the Mongols of Manchuria, however, a separatist autonomous movement developed during 1945-46, with its headquarters at Wangyehmiao. The Mongol Chiefs were rebuffed in an effort to secure recognition of their local autonomy from the Chinese Government and so gave a favourable response to the overtures made to them by the Communist-dominated regime set up in Inner Mongolia after the collapse of the Japanese sponsored Government there. This Communist regime was overthrown by the fall of Kalgan to Chinese Government forces and its leader fled to join the Manchurian Mongols at Wangyehmiao. In 1947 these Mongols, while not altogether relishing Communist principles and methods, were fighting on the side of the Chinese Communists.[2]

The former 'White Russian' communities at Harbin and in the rural areas of northern Manchuria also kept aloof from the Chinese Communists. These Russians at first suffered, in common with all other races, at the hands of the invading Red Army. After the excesses of the early days of Russian occupation had died down the Soviet authorities endeavoured to utilize these Russian inhabitants of Manchuria, and appear by various means to have got the majority of them to apply for Soviet citizenship. Rodzaevsky, Semenov and other anti-Soviet leaders among them were reported to have been dealt with by the N.K.V.D. (People's Commissariat for Internal Affairs). Some of the former * White* Russians who had acquired Soviet citizenship went with the returning Russian troops to the Soviet Union.

The Chinese National Government was initially powerless to avert these fissiparous movements in Manchuria since it had no troops of its own in the vicinity. In order to avoid the threatened loss of all Manchuria to the Communists it asked aid of the United States in transporting troops from south China, and this assistance was accorded. As the Soviet authorities refused to allow the use of Dalny or of the Ch'angch'un railway, and as Chinese Communist forces were in control of the ports of Hulutao and Yingkow, the Chinese Government troops were landed at Chinwangtao early in November 1945. From here, under the

[1] *New York Times,* 30 October, 21 November 1945; 16 and 18 February, 11 May 1946.
* *The Times,* 13 August 1948.

command of General Tu Li-ming, they advanced through the Shanhaikwan defde, the Communists giving way with very little frontal resistance. By the end of 1945 General Tu's forces had reached Hulutao and Chinchow and were nearing Mukden, although hampered by Communist raids on their rail communications.

The Russians, possibly in view of the inability of the Chinese Communists to make a stand against the better-equipped Chinese Government forces, and from unwillingness to provoke an open clash with the United States, now modified their previous policy. They agreed to a limited number of Chinese officials and troops being flown into Manchuria to take over the administration of Ch'angch'un. At the time of the signature of the Moscow Treaty it had been understood, though not included in the published Treaty terms, that the Soviet forces would evacuate Manchuria by the end of 1945. This had not occurred; according to the Soviet Chief of Staff in Ch'angch'un, the delay was requested by the Chinese Government, which desired more time to take over from the Russians. However, at the end of March 1946, it was announced that the Russians would carry out an evacuation of the country by the end of April, except from Port Arthur and Dalny, and this they proceeded to do. The Chinese Government forces had in mid-March occupied Mukden, following the Soviet evacuation of that city; but were unable for some time to reach Ch'angch'un. Here the Soviet evacuation was followed on April 16-19 by a Chinese Communist occupation, the small Chinese Government garrison being overwhelmed. Towards the end of May, however, the main Chinese Government forces reached Ch'angch'un and die Communists withdrew.[1] In North Manchuria, the Communists were able to secure possession of the principal cities as soon as the Russians left them; they thus during April 1946 secured control of Harbin, Tsitsihar, and other northern and north-eastern Manchurian cities, and established an autonomous regime in northern Manchuria. In the summer of 1946, Li Li-san, a Chinese Communist leader, who in 1930 fled to the U.S.S.R. after a quarrel with Mao Tse-tung, returned and was professedly reconciled with Mao. Li was given the post of 'political adviser' to the executive

[1] The U.S.S.R. complained that a number of Soviet nationals on the Ch'angch'un railways and in the cities occupied by the Nationalists were murdered. Soviet railway personnel were then withdrawn from the railway.

committee of the Communist regime in Manchuria. An American correspondent who interviewed him found him a whole-hearted defender of Soviet policy and actions in Manchuria.[1] He was said to.be urging the complete severance of relations with the Nationalists, and the establishment of an independent Communist regime in North Manchuria.[2] It is possible that the Soviet Government prompted his return to China to advocate such a policy. It would suit the Soviet Union's interests i£ northern Manchuria became independent of China, since such a development, in view of the extant Mongol-controlled Barga region, and the Mongol People's Republic in Outer Mongolia, would complete a belt of buffer states between the east Siberian possessions of the U.S.S.R. and China. In view of the Chinese Communist failure to prevent the Nationalists from getting into Manchuria, the Russians may have advised them to give up the idea of overthrowing the Kuomintang and to concentrate their forces north of the Sungari.

Whether or not Li Li-san and the Russians advocated such a policy, it has not appealed to the Chinese Communist leaders. They did not wish to appear as obvious puppets of the U.S.S.R. and their subsequent movements indicate that they planned to compel a Nationalist evacuation of all Manchuria through organizing resistance in the country districts, hamstringing communications and so isolating the Nationalist garrisons in the cities. In a bid to secure the support of the tenant farmers and poor peasants they proceeded to confiscate and break-up the large landed estates in North Manchuria, and to redistribute the lands among peasant families. But against whatever benefits may accrue from this reform must be set the ruthless methods employed by the Communists against all classes who do not fit into their scheme of things, as well as the burden on the farmers of requisitions for the Communist forces. The Chinese Communists have no experience in the administration of large cities, and reports from Harbin told of a breakdown in law and order and a stoppage of trade.[3]

The large Japanese civilian population in the principal Manchurian cities was reduced to destitution after the collapse of 'Manchukuo'. The Japanese suffered more at the hands of the Russian soldiery than from the Chinese, although the latter helped

[1] *New York Herald Tribune,* 8 September 1946.
[2] *New York Times, 11* October 1946.
[3] *The Times,* 29 September 1947. Some allowance must be made for exaggeration on the part of refugees.

to strip them of their possessions and to reduce their former masters to servants. In the spring of 1946 arrangements were made to concentrate the Japanese civilians in eight principal urban areas as a preliminary to bringing them to Hulutao and thence repatriating them to Japan. Save for a few technical experts and railway employees who were continued in their posts by the Chinese Nationalist administration, the Japanese were very willing to go and readily co-operated with the American Army officials in charge of the evacuation scheme, winch was put into operation during the summer and autumn of 1946.[1] The Japanese in North Manchurian cities found more difficulty in getting out owing to the breakdown in communications. A considerable number were also reported to be still in Dairen at the beginning of 1947, many of them reduced to selling their last belongings.[2]

The fate of the semi-military communities of Japanese agrarian colonists remains obscure. In the spring of 1947, however, one group of some 30,000 in number were reported in the region south of Mutanchiang; another, of some 20,000, located north-east of Harbin, and a third in the area between Hailar and Tsitsihar. They were said to be preserving strict military discipline and to have beaten off Chinese Communist attacks upon them.[3] There may also be some remnants of the Kwantung Army still holding out in remote areas of the country. The Japanese troops who surrendered to the Russians were, early in 1946, reported to be doing forced labour in the Chita region of Siberia.

By the end of 1946 the general situation was that the Government forces held the chief towns and lines of communication in Southern Manchuria and Jehol, although considerable Communist forces were operating in the rural areas. The Communists held all North Manchuria except for the Barga region which was controlled by the Mongols. Sporadic fighting between Nationalists and Communists continued throughout the year, despite the efforts of American-sponsored truce teams to bring about a cessation of hostilities. Further considerable damage by looting and Communist 'scorched-earth' tactics was sustained by the unhappy Manchurian cities, while communications were hamstrung by demolitions and raids; thus most of the bridges over the Sungari

[1] *New York Times,* t2 May, 24 July 1946; *New York Herald Tribune,* 26 August 1946.
[2] *North China Daily News,* 16 January 1947.
[3] *New York Times,* 8 March 1947.

River, which formed a sort of frontier between Nationalist and Communist forces, were blown up by the Communists.

In January 1947, the American Government abandoned its attempts to mediate between the Kuomintang and the Chinese Communists. This was followed by general hostilities and on 15 March 1947, the Generalissimo denounced the Communists as rebels whom the Chinese Government must subdue by force. Widespread and destructive fighting continued throughout the spring and summer of 1947, with neither side able to gain a decisive success over the other. In Manchuria, as one of the principal storm centres, there was a further grave deterioration alike in the political, social, and economic spheres. The armies of the Central Government were unable to prevent the Communists from extending their hold over the Manchurian countryside, nor could they counter effectively the Communist tactics of wrecking communications in order to compel a Nationalist withdrawal through lack of food and ammunition. Consequently, the Chinese Government control even of Ch'angch'un and Mukden became increasingly precarious.

The havoc wrought by these prolonged hostilities has been very extensive. Rail and road communications have suffered severely through the destruction of bridges and rolling-stock and the removal of stretches of Une; thus the Communists are reported to have completely destroyed 160 miles of the former S.M.R. main line between Ch'angch'un and Mukden, and to have removed the rails and burned the sleepers and telegraph poles.[1] Such lines as remain in working order are monopolized by military transport, with very little space available for the carriage of commercial freight.[2]

The damage to industrial establishments has been equally heavy. According to a report made in May 1947, to the People's Political Council by Dr Wong Wen-hao, Chairman of the National Resources Commission, the generating capacity of the Hsiao-fengman power plant had been reduced to 140,000 kW, that of the Fushun power plant to 30,000 kW and that of the other Manchurian hydro-electric and thermal-electric plants to a total of 30,000 kW.[3] The output of the Fushun coal mines was about

[1] *New York Times,* 13 June 1947. A similar fate befell most of the Antung-Mukden line, part of the Peip'ing-Mukden line, of the K'upeik'ou-Chengteh line and the Kirin-Mukden line. *New York Times,* 9 October 1947.

* *The Times,* 27 September 1947.

[3] *China Newsweek* 19 June 1947, p. J.

6,000 tons *per diem*, with a similar amount for the Fushin mines. Soviet removals of equipment and damage inflicted by the Chinese Communists at the iron and steel works at Anshan and Penshihu had largely crippled production. It was hoped that these works might, during 1947, provide 30,000 tons of pig iron, 70,000 tons of steel bars, 80,000 tons of other steel products, and 800 tons of alloy steel. Cement production in the two remaining ex-Japanese factories was estimated at 75,000 tons for 1947.[1] ^ October 1947 the large molybdenum mine at Chinhsi, twenty-five miles west of Hulutao, was reported to have been wrecked by the Communists.[2] However, Communist guerrilla warfare and scorched-earth tactics have not been responsible for all the disruption of Manchurian economy. The shortcomings of the Chinese Nationalist generals and troops in Manchuria, and the inefficient and corrupt administration in the areas held by the Government, aroused strong criticism in China. These complaints, coupled with the inability of successive military commanders to cope with the Communist tactics, led to a change *in* the Nationalist higher command at the end of August of 1947, and to the appointment of General Chen Cheng, the Generalissimo's chief military subordinate, to take charge in Manchuria.[3]

Chaotic financial conditions have been another source of trouble. When the Chinese Government first secured control over the cities of South Manchuria it tried to avoid the degree of inflation which existed elsewhere in China by establishing a special 'North-east currency'. *One* 'Tungpei Yuan' was given an exchange value of twelve Chinese dollars. Also the Russian occupation notes were called in. But the attempt to maintain a measure of financial and currency stability and to set bounds to the inflationary process apparently broke down during 1947. A tremendous rise in the cost of living followed; as a result of this the prices of certain staple foodstuffs increased by 700 per cent.[4]

As most of the soya bean and wheat raising lands are in the areas under Communist control, and as the transportation of commercial freight is almost paralysed, the export trade in agricultural products has been reduced to a mere trickle. The continued occupation of Dalny by the Russians, and the prohibition by the Chinese Central Government on foreign steamers calling at

[1] *China Newsweek*, 19 June 1947, pp. 6-10.
* ibid., 9 October 1947, pp. 9-10.
[1] *New York Times*, 1 September 1947.
* *The Times*, 27 September 1947.

Manchurian ports, has had an equally crippling effect on sea communications.[1] Thus Manchurian agricultural economy has been disrupted, while the civil war has produced the inevitable concomitant of banditry. The winter of 1946-47 witnessed severe unemployment and distress in the Manchurian cities, although actual famine appears to have been averted. Famine and disease, however, will undoubtedly make their appearance should political strife and economic chaos continue, as it is only too probable will be the case.

In September 1945, the Chinese National Government decreed that Manchuria should be sub-divided into nine provinces. It thus, to some degree, proposed to follow die Japanese precedent of establishing smaller provincial units, instead of simply reverting to the former three provinces of Heilungchiang, Kirin and Liaoning. The Nine North-eastern Provinces according to the decree of the Government *in* Nanking are the following:

TABLE XL

THE NINE NORTH-EASTERN PROVINCES'

Name	*Area in sq. miles*
Heilungchiang	104,375
Hochiang	68,750
Sunchiang	55,440
Kirin	70,440
Antung	43,250
Nunehiang	43,250
Liaopei	55,625
Liaoning	43,695
Hsingan	155,625

It has, of course, hitherto been impossible for the Chinese Central Government to put this administrative reform into effect. Chinese maps which show the boundaries of the intended provincial divisions reveal that Hsingan Province is about equivalent to the former 'Manchukuo' provinces of North and East Hsingan. The two other Hsingan provinces would be divided between Jehol and Liaopei. Parts of Jehol were occupied by Nationalist

[1] The prohibition was an attempt to put pressure on the Russians to open Dalny to general shipping. Only Soviet vessels have hitherto been allowed to use the port. *New York Times*, 2 8 September 1947.

[2] *China Newsweek,* 6 June 1946, pp. 4-c; 13 June 1946, p. 8.

forces during 1946. During the 'Manchukuo* regime the Chinese in Jehol were allowed to lease land in perpetuity from Mongolian landlords in return for a sum equal to twenty-five times the annual land rent. This sum, however, was not handed over to the landlord but formed a capital investment from which he drew an annual 5 per cent interest. After the collapse of'Manchukuo* and the entry of the Chinese Communists into Jehol, the 'Manchukuo financial organs were dissolved and the land leases declared invalid. Consequently the Mongol landlords wanted their land back, but the Chinese lessees have been unwilling to return it. This has caused conflicts between Mongols and Chinese in Jehol.[1] It would also appear to indicate that the Manchurian Mongols stand to lose economically as well as politically by the effective assertion of Chinese control in Manchuria. This they may consequently be expected to oppose so long as they do not get guarantees to safeguard their landholdings and rights of local self-government.

It will also be observed that the proposed new provincial units do not include Chientao, the predominantly Korean region of Manchuria. The Koreans have already suffered severely from the general disturbances in Manchuria and many have been dispossessed of lands which the Chinese considered had been filched from Chinese owners during the 'Manchukuo* regime. If the large Korean community in Cliientao should apprehend that Chinese control would result in any danger to Korean landholdings there, they might well seek for union with the Soviet-sponsored regime in North Korea, whence armed bands have been reported as crossing the frontier to aid the Chinese Communists.[2]

It is impossible to predict with confidence what will emerge from the chaotic conditions with which Manchuria is at present afflicted. The fate of Manchuria cannot be separated from that of China as a whole, and this in turn depends very much on other factors than the issue of the internal civil strife. The ultimate decision will turn very largely on the policies of the U.S.S.R. and of the United States. In view of the growing tenseness in their relations it is doubtful whether the U.S.S.R. would stand by and see the Kuomintang, which it thinks to be on American leading

[1] Kuo Yen-ti, 'Pacification Campaign in North China*. *Pacific Affairs,* Vol. XX, No. 3, September 1947, p. 317.

[1] *New York Times,* 27 April 1947.

strings, defeat the Communists, at least to an extent which would bring all Manchuria under the control of Nanking. Nor may America be willing to acquiesce in a Communist victory, which she would fear might bring all Cliina north of the Yellow River, or perhaps the Yangtze, into the orbit of the U.S.S.R. So far neither Great Power has been prepared to intervene openly and fully in China. This reluctance has been due, in part, to a realization of what such a step would almost certainly entail and in part, also because the Chinese Communists have been something of a disappointment to the Russians, as have the Chinese Nationalists to the Americans. The Russians burned their fingers in China during 1925-28, and something of the same happened to the Americans during 1945-46. The best guarantee of peace would be the emergence of a Cliina strong enough to be independent of either and to act as a stabilizing force in the Far East, but of this there appears to be little prospect in the near future.

There is also the future of Japan to consider. She is still potentially the strongest Asiatic Power, especially in view of the internal strife and disorder in China, in south-eastern Asia and in the Indian sub-continent. As she revives economically, her continental aspirations, particularly in Korea and Manchuria, may again appear. This is the more likely because of the limited resources in the raw materials of industry *in* the Japanese homeland. There is already some nervousness in Chinese circles lest Japan receive some outside countenance in regaining a foothold on the Asiatic mainland. Whatever the future may hold, it is already evident that the passing of 'Manchukuo', which closed one turbulent epoch in Manchurian history, was also the opening of another which seems likely to be even more storm-wracked.

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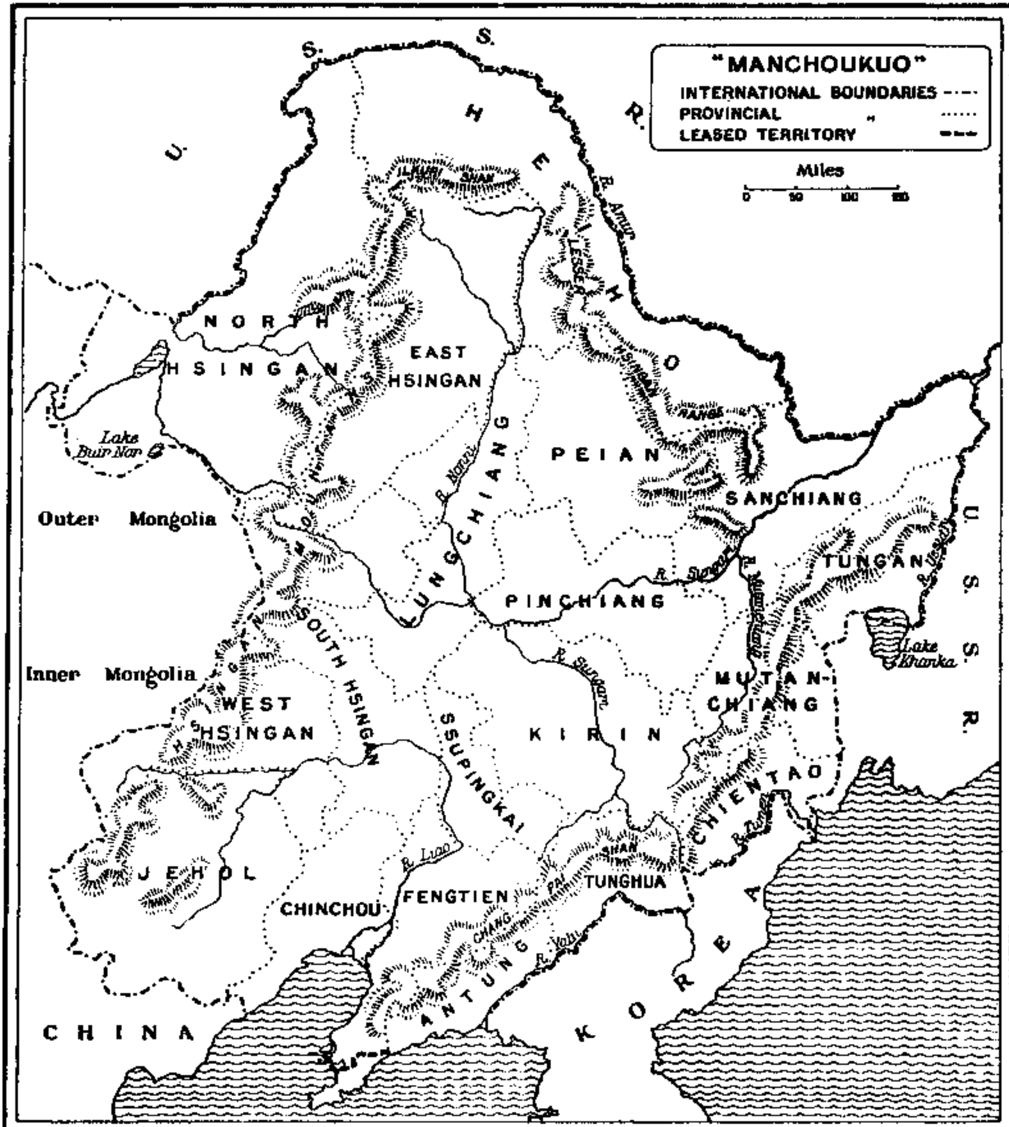

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