

Geneva, October 1st, 1932.

LEAGUE OF NATIONS

**APPEAL
BY THE CHINESE GOVERNMENT**

**REPORT
OF THE
COMMISSION OF ENQUIRY**

Note by the Secretary-General :

The Secretary-General has the honour to circulate to the Council and the Members of the League the Report of the Commission of Enquiry, which was signed by the Members of the Commission on September 4th, 1932, at Peiping.

Series of League of Nations Publications
VII. POLITICAL
1932. VII. 12.

REPORT OF THE COMMISSION OF ENQUIRY

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INTRODUCTION

On September 21st, 1931, the representative of the Chinese Government at Geneva wrote to the Secretary-General of the League of Nations asking him to bring to the attention of the Council the dispute between China and Japan which had arisen from the events which took place at Mukden on the night of September 18th-19th, and appealed to the Council, under Article 11 of the Covenant, to "take immediate steps to prevent the further development of a situation endangering the peace of nations".

On September 30th, the Council passed the following resolution :

" The Council :

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

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

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

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

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

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

" (7) Requests both Parties to furnish the Council at frequent intervals with full information as to the development of the situation ;

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

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

**Formal
appeal by
China,
September
21st, 1931.**

**Resolution
of the Council,
September
30th.**

In the course of the discussions that preceded the adoption of this resolution, the Chinese representative expressed the view of his Government that " the best method that may be devised by the Council for securing the prompt and complete withdrawal of the Japanese troops and police and the full re-establishment of the *status quo ante* is the sending of a neutral commission to Manchuria ".

The Council held a further session for the consideration of the dispute from October 13th to the 24th. In consequence of the opposition of the Japanese representative, unanimity could not be obtained for the resolution proposed at this session.

The Council met again on November 16th in Paris and devoted nearly four weeks to a study of the situation. On November 21st, the Japanese representative, after stating that his Government was anxious that the resolution of September 30th should be observed in the spirit and letter, proposed that a Commission of Enquiry should be sent to the spot. This proposal was subsequently welcomed by all the other Members of the Council and, on December 10th, 1931, the following resolution was unanimously adopted :

" The Council :

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

" (2) Considering that events have assumed an even more serious aspect since the Council meeting of October 24th, notes that the two Parties undertake to adopt all measures necessary to avoid any further aggravation of the situation and to refrain from any initiative which may lead to further fighting and loss of life ;

" (3) Invites the two Parties to continue to keep the Council informed as to the development of the situation ;

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

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

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

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

" The Governments of China and of Japan will each have the right to nominate one Assessor to assist the Commission ;

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

" It is understood that, should the two Parties initiate any negotiations, these would not fall within the scope of the terms of reference of the Commission, nor would it be within the competence of the Commission to interfere with the military arrangements of either Party ;

" The appointment and deliberation of the Commission shall not prejudice in any way the undertaking given by the Japanese Government in the resolution of September 30th as regards the withdrawal of the Japanese troops within the railway zone ;

Session of
the Council,
October
13th-24th.

Session of
the Council at
Paris,
November 16th-
December 10th.

Resolution
of December
10th.

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

In introducing this resolution, the President, M. Briand, made the following declaration :

" It will be observed that the resolution which is before you provides for action on two separate lines : (1) to put an end to the immediate threat to peace ; (2) to facilitate the final solution of existing causes of dispute between the two countries.

" The Council was glad to find during its present sittings that an enquiry into the circumstances which tend to disturb the relations between China and Japan, in itself desirable, would be acceptable to the Parties. The Council therefore welcomed the proposal to establish a Commission which was brought before it on November 21st. The final paragraph of the resolution provides for the appointment and functioning of such a Commission.

" I shall now make certain comments on the resolution, paragraph by paragraph.

" *Paragraph 1.* — This paragraph reaffirms the resolution unanimously adopted by the Council on September 30th, laying particular stress on the withdrawal of the Japanese troops within the railway zone on the conditions described therein as speedily as possible.

" The Council attaches the utmost importance to this resolution and is persuaded that the two Governments will set themselves to the complete fulfilment of the engagements which they assumed on September 30th.

" *Paragraph 2.* — It is an unfortunate fact that, since the last meeting of the Council, events have occurred which have seriously aggravated the situation and have given rise to legitimate apprehension. It is indispensable and urgent to abstain from any initiative which may lead to further fighting, and from all other action likely to aggravate the situation.

" *Paragraph 4.* — Under paragraph 4, the Members of the Council other than the Parties are requested to continue to furnish the Council with information received from their representatives on the spot.

" Such information having proved of high value in the past, the Powers which have the possibility of sending such representatives to various localities have agreed to do all that is possible to continue and improve the present system.

" For this purpose, these Powers will keep in touch with the two Parties, so that the latter may, should they so desire, indicate to them the localities to which they would desire the despatch of such representatives.

" *Paragraph 5* provides for the institution of a Commission of Enquiry. Subject to its purely advisory character, the terms of reference of the Commission are wide. In principle, no question which it feels called upon to study will be excluded, provided that the question relates to any circumstances which, affecting international relations, threaten to disturb peace between China and Japan, or the good understanding between them upon which peace depends. Each of the two Governments will have the right to request the Commission to consider any question the examination of which it particularly desires. The Commission will have full discretion to determine the questions upon which it will report to the Council, and will have power to make interim reports when desirable.

Declaration
of the
President.

" If the undertakings given by the two Parties according to the resolution of September 30th have not been carried out by the time of the arrival of the Commission, the Commission should as speedily as possible report to the Council on the situation.

" It is specially provided that, 'should the two Parties initiate any negotiations, these would not fall within the scope of the terms of reference of the Commission, nor would it be within the competence of the Commission to interfere with the military arrangements of either Party'. This latter provision does not limit in any way its faculty of investigation. It is also clear that the Commission will enjoy full liberty of movement in order to obtain the information it may require for its reports."

Reservations
and comments
of the two
Parties.

The Japanese representative, in accepting the resolution, made a reservation concerning paragraph 2 of the resolution, stating that he accepted it on behalf of his Government, "on the understanding that this paragraph was not intended to preclude the Japanese forces from taking such action as might be rendered necessary to provide directly for the protection of the lives and property of Japanese subjects against the activities of bandits and lawless elements rampant in various parts of Manchuria".

The Chinese representative, on his part, accepted the resolution, but asked that certain of his observations and reservations on points of principle should be placed on record as follows :

" I. China must and does fully reserve any and all rights, remedies and juridical positions to which she is or may be entitled under and by virtue of all the provisions of the Covenant, under all the existing treaties to which China is a party, and under the accepted principles of international law and practice.

" II. The present arrangement evidenced by the resolution and the statement made by the President of the Council is regarded by China as a practical measure embodying four essential and interdependent elements :

- " (a) Immediate cessation of hostilities ;
- " (b) Liquidation of the Japanese occupation of Manchuria within the shortest possible period of time ;
- " (c) Neutral observation and reporting upon all developments from now on ;
- " (d) A comprehensive enquiry into the entire Manchurian situation on the spot by a Commission appointed by the Council.

" The said arrangement being in effect and in spirit predicated upon these fundamental factors, its integrity would be manifestly destroyed by the failure of any one of them to materialise and be effectively realised as contemplated.

" III. China understands and expects that the Commission provided for in the resolution will make it its first duty to enquire into and report, with its recommendations, on the withdrawal of the Japanese forces, if such withdrawal has not been completed when the Commission arrives on the spot.

" IV. China assumes that the said arrangement neither directly nor by implication affects the question of reparations and damages to China and her nationals growing out of the recent events in Manchuria, and makes a specific reservation in that respect.

" V. In accepting the resolution laid before us, China appreciates the efforts of the Council to prevent further fighting and bloodshed by enjoining both China and Japan to avoid any initiative which may lead to further fighting or any other action likely to aggravate the situation. It must be clearly pointed out that this injunction should

not be violated under the pretext of the existence of lawlessness caused by a state of affairs which it is the very purpose of the resolution to do away with. It is to be observed that much of the lawlessness now prevalent in Manchuria is due to the interruption of normal life caused by the invasion of the Japanese forces. The only sure way of restoring the normal peaceful life is to hasten the withdrawal of the Japanese troops and allow the Chinese authorities to assume the responsibility for the maintenance of peace and order. China cannot tolerate the invasion and occupation of her territory by the troops of any foreign country ; far less can she permit these troops to usurp the police functions of the Chinese authorities.

" VI. China notes with satisfaction the purpose to continue and improve the present system of neutral observation and reporting through representatives of other Powers, and China will from time to time, as occasion requires, indicate the localities to which it seems desirable to despatch such representatives.

" VII. It should be understood that, in agreeing to this resolution which provides for the withdrawal of the Japanese forces to the railway zone, China in no way recedes from the position she has always taken with respect to the maintenance of military forces in the said railway zone.

" VIII. China would regard any attempt by Japan to bring about complications of a political character affecting China's territorial or administrative integrity (such as promoting so-called independence movements or utilising disorderly elements for such purposes) as an obvious violation of the undertaking to avoid any further aggravation of the situation."

The Members of the Commission were subsequently selected by the President of the Council, and, after the approval of the two parties had been obtained, the membership was finally approved by the Council on January 14th, 1932, as follows :

H.E. Count ALDROVANDI (Italian),
Général de Division Henri CLAUDEL (French),
The Rt. Hon. The EARL OF LYTTON, P.C., G.C.S.I., G.C.I.E. (British),
Major-General Frank ROSS MCCOY (American),
H.E. Dr. Heinrich SCHNEE (German).

The European members, with a representative of the American member, held two sittings in Geneva on January 21st, at which Lord Lytton was unanimously elected Chairman and a provisional programme of work was approved. The Governments of Japan and China, each of which had, by virtue of the resolution of December 10th, " the right to nominate one Assessor to assist the Commission ", subsequently appointed as their Assessors H.E. Mr. Isaburo YOSHIDA, Ambassador of Japan in Turkey, and H.E. Dr. Wellington Koo, a former Prime Minister and former Minister for Foreign Affairs of China.

The Secretary-General of the League designated M. Robert HAAS, Director in the Secretariat of the League, to act as Secretary-General of the Commission.¹

¹ The Secretary-General had put at the disposal of the Secretariat of the Commission :

Mr. PELT, member of the Information Section ; Mr. von KOTZE, assistant to the Under-Secretary-General in charge of International Bureaux ; Mr. PASTUHOV, member of the Political Section ; the Hon. W. W. ASTOR, temporary member of the Secretariat acting as Secretary of the Chairman of the Commission ; and M. CHARRÈRE, of the Information Section.

Major P. JOUVELET, Army Medical Corps, French Army, acted as personal

Appointment
of the
Commission of
Enquiry.

Organisation
of the
Commission.

In the course of its work, the Commission was assisted by the technical advice of Professor G. H. BLAKESLEE, Professor at the Clark University, U. S. A., Ph.D., L.L.D.; M. DENNERY, Agrégé de l'Université de France; Mr. Ben DORFMAN, B.A., M.A., William Harrison Mills Fellow, University of California, U.S.A.; Dr. A. D. A. de KAT ANGELINO, Colonel T. A. HIAM, assistant to the Chairman of the Canadian National Railways; G. S. MOSS, Esq., C.B.E., H.B.M. Consul in Weihaiwei; Dr. C. Walter YOUNG, M.A., Ph.D., Far Eastern Representative of the Institute of Current World Affairs, New York City.

The European members of the Commission sailed from Le Havre and Plymouth on February 3rd, and were joined by the American member at New York on February 9th.

Chinese
Appeal to the
League of
Nations under
Articles 10, 11
and 15 of the
Covenant.

Meanwhile, the development of the situation in the Far East caused the Chinese Government, on January 29th, to submit a further appeal to the League of Nations under Articles 10, 11 and 15 of the Covenant. On February 12th, 1932, the Chinese representative requested the Council to submit the dispute to the Assembly in accordance with paragraph 9 of Article 15 of the Covenant. Since no further instructions were received from the Council, the Commission continued to interpret its mandate according to the resolution of the Council of December 10th. This included:

(1) An examination of the issues between China and Japan, which were referred to the Council, including their causes, development and status at the time of the enquiry;

(2) A consideration of a possible solution of the Sino-Japanese dispute which would reconcile the fundamental interests of the two countries.

This conception of its mission determined the programme of its work.*

Arrival of
the Commission
at Tokyo,
February 29th,
1932.

Before reaching Manchuria, the main theatre of the conflict, contact was established with the Governments of Japan and China and with representatives of various shades of opinion, in order to ascertain the nature of the interests of the two countries. The Commission arrived in Tokyo on February 29th, where it was joined by the Japanese Assessor. It had the honour of being received by His Majesty the Emperor. Eight days were spent in Tokyo, and daily conferences were held with members of the Government and others, including the Prime Minister, Mr. INUKAI, the Minister for Foreign Affairs, Mr. YOSHIZAWA, the Minister of War, Lieutenant-General ARAKI, the Minister of Navy, Admiral OSUMI. Interviews were also held with leading bankers, business-men, representatives of various organisations and others. From all of these we received information regarding the rights and interests of Japan in Manchuria and her historical associations with that country. The Shanghai situation was also discussed. After leaving Tokyo, we learned while in Kyoto of the establishment of a new "State" in Manchuria, under the name of "Manchukuo" (the Manchu State). In Osaka, conferences were arranged with representatives of the business community.

Shanghai,
March
14th-26th.

The Commission reached Shanghai on March 14th and was joined there by the Chinese Assessor. Here a fortnight was occupied, in addition to our general enquiry, in learning as much as possible about the facts of the recent fighting and the possibility of an armistice, which we had

assistant to General Claudel, and Lieut. BIDDLE as personal assistant to General McCoy, and collaborated also in the general work of the Secretariat.

M. DEPEYRE, French Vice-Consul at Yokohama, acted as interpreter in the Japanese language.

Mr. AOKI and Mr. WOU SAO-FONG, members of the Information Section, collaborated with the Secretariat of the Commission.

* Note by the Secretariat: For the itineraries of the Commission, see the Appendix, page 140, and Maps Nos. 13 and 14.

previously discussed with Mr. YOSHIZAWA in Tokyo. We paid a visit to the devastated areas, and heard statements from the Japanese naval and military authorities regarding recent operations. We also interviewed some of the members of the Chinese Government and leaders of business, educational and other circles, including Canton.

On March 26th, the Commission proceeded to Nanking, some of its members visiting Hangchow on the way. During the following week, it had the honour of being received by the President of the National Government. Interviews were held with Mr. WANG CHING-WEI, President of the Executive Yuan; General CHIANG KAI-SHEK, Chairman of the Military Council; Dr. LO WEN-KAN, Minister for Foreign Affairs; Mr. T. V. SOONG, Minister of Finance; General CHENG MING-CHU, Minister of Communications; Mr. CHU CHIA-HUA, Minister of Education; and other members of the Government.

Nanking,
March 26th-
April 1st.

In order to acquaint ourselves more fully with representative opinion and with conditions existing in various parts of China, we proceeded on April 1st to Hankow, stopping *en route* at Kiukiang. Some representatives of the Commission visited Ichang, Wanhhsien and Chungking in the province of Hupeh and Szechuan.

Yangtze Valley,
April 1st-7th.

On April 9th, the Commission arrived at Peiping (as Peking is now called), where several conferences were held with Marshal CHANG HSUEH-LIANG and with officials who had been members of the administration in Manchuria until September 18th. Evidence was also given by the Chinese Generals who had been in command of the troops at the barracks at Mukden on the night of September 18th.

Peiping,
April 9th-19th.

Our stay in Peiping was prolonged owing to a difficulty which arose regarding the entry into Manchuria of Dr. Wellington Koo, the Chinese Assessor.

In proceeding to Manchuria, the Commission divided into two groups, some of the party travelling to Mukden by rail via Shanhaikwan, and the remainder, including Dr. Koo, by sea via Dairen, thus remaining within the Japanese railway area. The objection to Dr. Koo's entry into "Manchukuo" territory was finally withdrawn after the arrival of the Commission in Changchun, the northern terminus of the Japanese railway area.

We remained in Manchuria for about six weeks, visiting Mukden, Changchun, Kirin, Harbin, Dairen, Port Arthur, Anshan, Fushun and Chinchow. We had intended to visit Tsitsihar as well, but, while we were in Harbin, there was continuous fighting in the surrounding districts, and the Japanese military authorities stated that they were unable at that moment to guarantee the safety of the Commission by rail on the western branch of the Chinese Eastern Railway. Accordingly, some members of our staff visited Tsitsihar by air. From there they travelled by the Taonan-Angangchi and Ssuningkai-Taonan Railways and rejoined the main body in Mukden.

Manchuria,
April 20th-
June 4th.

During our stay in Manchuria we wrote a Preliminary Report, which we despatched to Geneva on April 29th.¹

We had numerous conferences with Lieutenant-General HONJO, Commander of the Kwantung Army, other military officers, and Japanese consular officials. At Changchun we visited the Chief Executive of "Manchukuo", the former Emperor, HSUAN TUNG, now known by his personal name of Henry PU-YI. We also had interviews with members of the "Manchukuo" Government, including officials and advisers of Japanese nationality, and Governors of Provinces. Delegations were received from the local population, most of which were presented by the Japanese or "Manchukuo" authorities. In addition to our public meetings, we were able to arrange interviews with a great number of individuals, both Chinese and foreign.

¹ See Annex I (separate volume).

Peiping,
June 5th-28th.

The Commission returned to Peiping on June 5th, where an analysis of the voluminous documentary material collected was begun. Two more conferences were also held with Mr. WANG CHING-WEI, President of the Executive Yuan; Dr. LO WEN-KAN, Minister for Foreign Affairs; and Mr. T. V. SOONG, Minister of Finance.

Tokyo,
July 4th-15th.

On June 28th the Commission proceeded to Tokyo via Chosen (Korea). Its departure for Japan was delayed by the fact that no Foreign Minister had yet been appointed in the Cabinet of Admiral Viscount Saito. After their arrival in Tokyo on July 4th, conferences were held with leaders of the new Government, including the Prime Minister, Admiral Viscount SAITO; the Minister for Foreign Affairs, Count UCHIDA; and the Minister of War, Lieutenant-General ARAKI. From these we learned the present views and policy of the Government regarding the development of the situation in Manchuria and Sino-Japanese relations.

Peiping,
July 20th.

Having thus renewed contact with both the Chinese and the Japanese Governments, the Commission returned to Peiping, where the drafting of the Report was undertaken.

Assessors.

The two Assessors, who throughout spared no effort to assist the work of the Commission, presented a great amount of valuable documentary evidence. The material received from each Assessor was shown to the other, and an opportunity given for subsequent comment. These documents will be published.

The large number of persons and organisations interviewed, as listed in the Appendix, will illustrate the amount of evidence examined. Further, in the course of our travels, we have been presented with a great quantity of printed pamphlets, petitions, appeals, and letters. In Manchuria alone, we received approximately 1,550 letters in Chinese and 400 letters in Russian, without mentioning those written in English, French or Japanese.

The arrangement, translation and study of these documents involved a considerable labour, which was carried out in spite of our continual movement from place to place. It was finally completed on our return to Peiping in July and before our last visit to Japan.

The
conception
of its mission
under
resolution of
December 10th
determined the
plan of the
Commission's
Report.

The Commission's conception of its mission, which determined the programme of its work and itinerary, has equally guided the plan of its Report.

First, we have tried to provide an historical background by describing the rights and interests of the two countries in Manchuria, which provide the fundamental causes of the dispute; the more recent specific issues which immediately preceded the actual outbreak were then examined, and the course of events since September 18th, 1931, described. Throughout this review of the issues, we have insisted less on the responsibility for past actions than on the necessity of finding means to avoid their repetition in the future.

Finally, the Report concludes with some reflections and considerations which we have desired to submit to the Council upon the various issues with which it is confronted, and with some suggestions on the lines on which it seemed to us possible to effect a durable solution of the conflict and the re-establishment of a good understanding between China and Japan.

Chapter I.

OUTLINE OF RECENT DEVELOPMENTS IN CHINA.

The events of September 18th, 1931, which first brought the present conflict to the notice of the League of Nations, were but the outcome of a long chain of minor occasions of friction, indicating a growing tension in the relations between China and Japan. A knowledge of the essential factors in the recent relations of these two countries is necessary, to a complete understanding of the present conflict. It has been necessary, therefore, to extend our study of the issues beyond the limits of Manchuria itself and to consider in their widest aspect all the factors which determine present Sino-Japanese relations. The national aspirations of the Republic of China, the expansionist policy of the Japanese Empire and of the former Russian Empire, the present dissemination of Communism from the U.S.S.R., the economic and strategic needs of these three countries: such matters as these, for example, are factors of fundamental importance in any study of the Manchurian problem.

Situated as this part of China is geographically between the territories of Japan and Russia, Manchuria has become politically a centre of conflict, and wars between all three countries have been fought upon its soil. Manchuria is in fact the meeting-ground of conflicting needs and policies, which themselves require investigation before the concrete facts of the present conflict can be fully appreciated. We shall therefore begin by reviewing these essential factors *seriatim*.

The dominating factor in China is the modernisation of the nation itself which is slowly taking place. China to-day is a nation in evolution, showing evidence of transition in all aspects of its national life. Political upheavals, civil wars, social and economic unrest, with the resulting weakness of the Central Government, have been the characteristics of China since the revolution of 1911. Those conditions have adversely affected all the nations with which China has been brought into contact and, until remedied, will continue a menace to world peace and a contributory cause of world economic depression.

Of the stages by which the present conditions have been reached only a brief summary can here be given, which in no sense aims at being a comprehensive history. Throughout the first centuries of her intercourse with individual Occidentals, China remained, as far as Western influence is concerned, practically an isolated country. This condition of isolation was bound to come to an end when, at the beginning of the 19th century, the improvement of modern communication diminished distance and brought the Far East within easy reach of other nations, but in fact the country was not ready for the new contact when it came. As a result of the Treaty of Nanking, which ended the war of 1842, some ports were opened to foreign trade and residence. Foreign influences were introduced into a country whose Government had made no preparations to assimilate them. Foreign traders began to settle in her ports before she could provide for their administrative, legal, judicial, intellectual and sanitary requirements. The former therefore brought with them conditions and standards to which they were accustomed. Foreign cities sprang up in the Treaty

A knowledge
of antecedent
conditions
necessary to a
complete
understanding
of the present
conflict.

China,
a nation
in evolution.

China first
opened to
foreigners
in 1842.

Ports. Foreign methods of organisation, of administration and business asserted themselves. Any efforts there may have been on either side to mitigate the contrast were not effective, and a long period of friction and misunderstanding followed.

The efficacy of foreign arms having been demonstrated in a series of armed conflicts, China hoped, by building arsenals and by military training according to Western methods, to meet force with force. Her efforts in this direction, restricted as they were in scope, were doomed to failure. Much more fundamental reforms were needed to enable the country to hold its own against the foreigner, but China did not desire such reforms. On the contrary, she wanted to protect her culture and dominion against them.

Japanese comparison.

Japan had to face similar problems when that country was first opened to Western influences: new contacts with disturbing ideas, the conflict of different standards, leading to the establishment of foreign settlements, one-sided tariff conventions and extra-territorial claims. But Japan solved these problems by internal reforms, by raising her standards of modern requirements to those of the West and by diplomatic negotiations. Her assimilation of Western thought may not yet be complete, and friction may sometimes be seen between the old and the new ideas of different generations, but the rapidity and the thoroughness with which Japan has assimilated Western science and technique and adopted Western standards without diminishing the value of her old traditions have aroused general admiration.

China's problem vastly more difficult.

However difficult Japan's problems of assimilation and transformation may have been, those faced by China were much more difficult, owing to the vastness of her territory, the lack of national unity of her people, and her traditional financial system, under which the whole of the revenue collected did not reach the central Treasury. Although the complexity of the problem which China has to solve may be so much greater than that which confronted Japan as to make unjust any comparison between the two, yet the solution required for China must ultimately follow lines similar to those adopted by Japan. The reluctance of China to receive foreigners and her attitude towards those who were in the country was bound to have serious consequences. It concentrated the attention of her rulers on resistance to and restriction of foreign influence, and prevented her from profiting by the experience of more modern conditions in the foreign settlements. As a result, the constructive reform necessary to enable the country to cope with the new conditions was almost completely neglected.

China's losses from conflict with foreign Powers.

The inevitable conflict of two irreconcilable conceptions of respective rights and international relations led to wars and disputes resulting in the progressive surrender of sovereign rights and the loss of territory, either temporary or permanent. China lost a huge area on the north bank of the Amur River, and the Maritime Province; the Luchu Islands; Hong-Kong; Burma; Annam; Tongking; Laos; Cochin-China (provinces of Indo-China); Formosa; Korea; and several other tributary States; she also granted long leases of other territories. Foreign courts, administration, police and military establishments were admitted on Chinese soil. The right to regulate at will her tariff on imports and exports was lost for the time being. China had to pay damages for injuries to foreign lives and property and heavy war indemnities which have been a burden to her finances ever since. Her very existence was even threatened by the division of her territory into spheres of interest of foreign Powers.

Reform movement starts after Boxer uprising in 1900.

Her defeat in the Sino-Japanese war of 1894-95, and the disastrous consequences of the Boxer uprising of 1900, opened the eyes of some thoughtful leaders to the necessity for fundamental reform. The reform movement was willing at first to accept the leadership of the Manchu House, but turned away from this dynasty after its cause and its leaders had been

betrayed to the Empress Dowager, and the Emperor Kwang Hsu was made to expiate his hundred days of reform in virtual imprisonment to the end of his life in 1908.

The Manchu Dynasty had ruled China for 250 years. In its later years it was weakened by a series of rebellions: the Taiping rebellion (1850-1865), the Mohammedan risings in Yunnan (1856-1875), and the risings in Chinese Turkestan (1864-1877). The Taiping rebellion especially shook the Empire to its foundation and dealt a blow to the prestige of the dynasty, from which it never recovered. Finally, after the death of the then Empress Dowager in 1908, it collapsed through its own inherent weakness.

After some minor attempts at insurrection, the revolutionaries were successful in South China. A brief period followed during which a Republican Government was established at Nanking, with Dr. Sun Yat-sen, the leading figure of the Revolution, as provisional President. On February 12th, 1912, the then Empress Dowager, in the name of the child Emperor, signed a decree of abdication, and a provisional constitutional regime, with Yuan Shih-kai as President, was then inaugurated. With the abdication of the Emperor, his representatives in the provinces, prefectures and districts lost the influence and moral prestige which they had derived from his authority. They became ordinary men, to be obeyed only in so far as they were able to enforce their decisions. The gradual substitution of military for civil governors in the provinces was an inevitable consequence. The post of central executive could, likewise, be held only by the military leader who had the strongest army or was supported by the strongest group of provincial or local military chiefs.

This tendency towards military dictatorship, which was more apparent in the North, was facilitated by the fact that the army had gained some popularity by the support it had given in many instances to the Revolution. Military leaders did not hesitate to lay claim to the merit of having made the Revolution a success. Most of them were Northern leaders, to a certain extent grouped together in the so-called Peiyang Party — men who had risen from a low status to higher commands in the model army trained by Yuan Shih-kai after the Sino-Japanese war. They could more or less be trusted by him because of the tie of personal allegiance which, in China, has not yet given place to the corporate loyalty which characterises organisations in the West. These men were appointed military governors by Yuan Shih-kai in the provinces under his control. There the power rested in their hands and provincial revenues could accordingly be taken at will by them to be used for their personal armies and adherents.

In the Southern provinces, the situation was different, partly as a result of intercourse with foreign countries and partly on account of the different social customs of the population. The people of South China have always been averse to military autocracy and official interference from outside. Dr. Sun Yat-sen and their other leaders remained faithful to the idea of constitutionalism. They had, however, little military force behind them, because the re-organisation of the army had not yet progressed very far in the provinces south of the Yangtze, and they had no well-equipped arsenals.

When, after much procrastination, the first Parliament was convened in Peking in 1913, Yuan Shih-kai had consolidated his military position, and lacked only sufficient financial resources to ensure the loyalty of the provincial armies. A huge foreign loan, the so-called Re-organisation Loan, provided him with the necessary financial means. But his action in concluding that loan without the consent of Parliament brought his political opponents of the Kuomintang or Nationalist Party, under Dr. Sun's leadership, into open revolt. In a military sense the South was weaker than the North, and was still more weakened when the victorious Northern

Fall of the Manchu Dynasty.

Tendency towards military dictatorship in the North.

Position in the South.

Revolt against Yuan Shih-kai, 1913.

Civil war and political unrest, 1914-1928.

commanders, after conquering a number of Southern provinces, placed the latter under Northern generals.

There were several attempts to reinstate the 1913 Parliament, which had been introduced by Yuan Shih-kai, or to convene bogus Parliaments, two attempts to establish monarchical rule, many changes of Presidents and Cabinets, continuous shifting of allegiance among military leaders, and many declarations of temporary independence of one or more provinces. In Canton, the Kuomintang Government, headed by Dr. Sun, succeeded in maintaining itself from 1917 onwards, with occasional intervals during which it ceased to function. During these years China was ravaged by warring factions; and the ever-present bandits grew into veritable armies by the enlistment of ruined farmers, desperate inhabitants of famine-stricken districts, or unpaid soldiers. Even the constitutionalists, who were fighting in the South, were repeatedly exposed to the danger of militarist feuds arising in their midst.

Re-organisation of the Kuomintang.

In 1923, convinced by Russian revolutionists that a definite programme, strict party discipline, and systematic propaganda were necessary to ensure the victory of his cause, Dr. Sun Yat-sen re-organised the Kuomintang with a programme which he outlined in his "Manifesto" and "Three Principles of the People"¹. Systematic organisation ensured party discipline and unity of action through the intermediary of a Central Executive Committee. A political training institute instructed propagandists and organisers of local branches, while a military training institute at Whampoo, with the help of Russian officers, was instrumental in providing the party with an efficient army, the leaders of which were permeated with the idea of the party. Thus equipped, the Kuomintang was soon ready to establish contacts with the people at large. Sympathisers were organised in local branches or in peasant and labour unions affiliated to the party. This preliminary conquest of the people's mind was, after the death of Dr. Sun in 1925, followed up by the successful Northern Expedition of the Kuomintang Army, which, by the end of 1928, succeeded in producing a nominal unity for the first time in many years, and a measure of actual unity which lasted for a time.

The first, or military, phase of Dr. Sun's programme had thus been brought to a successful end.

The second period of political tutelage under party dictatorship could begin. It was to be devoted to the education of the people in the art of self-government and to the reconstruction of the country.

A Central Government established.

In 1927, a Central Government was established at Nanking. It was controlled by the party — it was, in fact, merely one important organ of the party. It consisted of five Yuans or Boards (the Executive, the Legislative, the Judicial, the Control, and the Examination Boards). The Government had been modelled as closely as possible on the lines of Dr. Sun's "Five-Power Constitution" — the Trias Politica of Montesquieu with the addition of two old Chinese institutions, the Censorate and the Public Services Examination Board — in order to facilitate the transition to the final or constitutional stage, when the people, partly directly and partly through its elected representatives, would itself take charge of the direction of its government.

In the provinces, similarly, a committee system was adopted for the organisation of provincial governments, while in villages, towns and districts, the people were to be trained in the handling of local self-government. The party was now ready to put into operation its schemes of political and economic reconstruction, but was prevented from doing so by internal dissensions, the periodical revolt of various Generals with personal armies,

¹ National Independence, Democratic Government and Social Re-organisation.

and the menace of Communism. In fact, the Central Government had repeatedly to fight for its very existence.

For a time unity was maintained on the surface. But not even the semblance of unity could be preserved when powerful war lords concluded alliances amongst themselves and marched their armies against Nanking. Though they never succeeded in their object, they remained, even after defeat, potential forces to be reckoned with. Moreover, they never took the position that war against the Central Government was an act of rebellion. It was in their eyes simply a struggle for supremacy between their faction and another one which happened to reside in the national capital and to be recognised as the Central Government by foreign Powers. This lack of hierarchical relations is all the more dangerous because serious dissensions in the Party itself have weakened the title of the Central Government to be the unquestioned successors of Dr. Sun. The new schism has led to the estrangement of influential Southern leaders, who retired to Canton, where the local authorities and the local branch of the Kuomintang frequently act independently of the Central Government.

From this summary description it appears that disruptive forces in China are still powerful. The cause of this lack of cohesion is the tendency of the mass of the people to think in terms of family and locality, rather than in terms of the nation, except in periods of acute tension between their own country and foreign Powers. Although there are, nowadays, a number of leaders who have risen above particularist sentiments, it is evident that a national outlook must be attained by a far greater number of citizens before real national unity can result.

Although the spectacle of China's transitional period, with its unavoidable political, social, intellectual and moral disorder, is disappointing to her impatient friends and has created enmities which have become a danger to peace, it is nevertheless true that, in spite of difficulties, delays and failures, considerable progress has in fact been made. An argument which constantly reappears in the polemics of the present controversy is that China is "not an organised State" or "is in a condition of complete chaos and incredible anarchy", and that her present-day conditions should disqualify her from membership of the League of Nations and deprive her of the protective clauses of the Covenant. In this connection, it may be useful to remember that an altogether different attitude was taken at the time of the Washington Conference by all the participating Powers. Yet, even at that time, China had two completely separate Governments, one at Peking and one at Canton, and was disturbed by large bandit forces which frequently interfered with communications in the interior, while preparations were being made for a civil war involving all China. As a result of this war, which was preceded by an ultimatum sent to the Central Government on January 13th, 1922, when the Washington Conference was still in session, the Central Government was overthrown in May, and the independence of Manchuria from the Government installed at Peking in its place was declared in July by Marshal Chang Tso-lin. Thus, there existed no fewer than three Governments professing to be independent, not to mention the virtually autonomous status of a number of provinces or parts of provinces. Although, at present, the Central Government's authority is still weak in a number of provinces, the central authority is not, at least openly, repudiated, and there is reason to hope that, if the Central Government as such can be maintained, provincial administration, military forces and finance will acquire an increasingly national character. Those, among others, were doubtless the reasons which induced the Assembly of the League of Nations last September to elect China to the Council.

The present Government has tried to balance its current receipts and expenditure and to adhere to sound financial principles. Various taxes have been consolidated and simplified. In default of a proper budgetary

The authority of the Central Government challenged from without and weakened by dissensions within.

Present condition of China compared with that at the time of the Washington Conference.

Efforts for Chinese reconstruction.

system, an annual statement has been issued by the Ministry of Finance. A Central Bank has been established. A National Financial Committee has been appointed, which includes among its members influential representatives of banking and commercial interests. The Ministry of Finance is also trying to supervise the finances of the provinces, where the methods of raising taxes are often still highly unsatisfactory. For all these measures the Government is entitled to credit. It has, however, been forced by recurrent civil wars to increase its domestic indebtedness by about a billion dollars (silver) since 1927. Lack of funds has prevented it from executing its ambitious plans of reconstruction, or completing the improvement of communications which is so vitally necessary for the solution of most of the country's problems. In many things, no doubt, the Government has failed, but it has already accomplished much.

Nationalism.

The nationalism of modern China is a normal aspect of the period of political transition through which the country is passing. National sentiments and aspirations of a similar kind would be found in any country placed in the same position. But, in addition to the natural desire to be free from any outside control in a people that has become conscious of national unity, the influence of the Kuomintang has introduced into the nationalism of China an additional and abnormal tinge of bitterness against all foreign influences, and has expanded its aims so as to include the liberation of all Asiatic people still subject to "imperialistic oppression". This is partly due to the slogans of its early communistic connection. Chinese nationalism to-day is also permeated by memories of former greatness, which it desires to revive. It demands the return of leased territories, of administrative and other not purely commercial rights exercised by a foreign agency in railway areas, of administrative rights in concessions and settlements, and of extra-territorial rights which imply that foreigners are not amenable to Chinese laws, law courts and taxation. Public opinion is strongly opposed to the continuance of these rights, which are regarded as a national humiliation.

Attitude of foreign Powers on the subject of extra-territoriality.

Foreign Powers have in general taken a sympathetic attitude towards these desires. At the Washington Conference, 1921-22, they were admitted to be acceptable in principle, though there was divergence of opinion as to the best time and method of giving effect to them. It was felt that an immediate surrender of such rights would impose upon China the obligation to provide administration, police and justice of a standard which, owing to financial and other internal difficulties, she could not at present attain. The present single issue of extra-territoriality might lead to a number of separate issues with foreign Powers if the former were abolished prematurely. It was also felt that international relations would not improve but would deteriorate if foreign nationals were to be exposed to the same unjust treatment and extortionate taxation as Chinese citizens were subjected to in so many parts of the country. In spite of these reservations, much was actually accomplished, especially at Washington, or as a result of that Conference. China has recovered two out of five leased territories, many concessions, administrative rights in the area of the Chinese Eastern Railway, Customs autonomy, and postal rights. Many treaties on the basis of equality have also been negotiated.

Having started upon the road of international co-operation for the purpose of solving her difficulties, as was done at Washington, China might have made more substantial progress in the ten years that have since elapsed had she continued to follow that road. She has only been hampered by the virulence of the anti-foreign propaganda which has been pursued. In two particulars has this been carried so far as to contribute to the creation of the atmosphere in which the present conflict arose — namely, the use made of the economic boycott, to which reference is made in Chapter VII, and the introduction of anti-foreign propaganda into the schools.

It is provided in the Provisional Constitution of China promulgated on June 1st, 1931, ¹ that "the Three Principles of the People shall be the basic principles of education in the Republic of China". The ideas of Dr. Sun Yat-sen are now taught in the schools as if they had the same authority as that of the Classics in former centuries. The sayings of the master receive the same veneration as the sayings of Confucius received in the days before the Revolution. Unfortunately, however, more attention has been given to the negative than to the constructive side of nationalism in the education of the young. A perusal of the text-books used in the schools leaves the impression on the mind of a reader that their authors have sought to kindle patriotism with the flame of hatred, and to build up manliness upon a sense of injury. As a result of this virulent anti-foreign propaganda, begun in the schools and carried through every phase of public life, the students have been induced to engage in political activities which sometimes have culminated in attacks on the persons, homes or offices of Ministers and other authorities, and in attempts to overthrow the Government. Unaccompanied by effective internal reforms or improvements in national standards, this attitude tended to alarm the foreign Powers and to increase their reluctance to surrender the rights which are at the moment their only protection.

In connection with the problems of maintaining law and order, the present inadequate means of communication in China is a serious handicap. Unless communications are sufficient to ensure prompt transportation of national forces, the safeguarding of law and order must largely, if not completely, be entrusted to provincial authorities, who, on account of the distance of the Central Government, must be allowed to use their own judgment in handling provincial affairs. Under such conditions, independence of mind and action may easily cross the boundary of law, with the result that the province gradually takes on the aspect of a private estate. Its armed forces are also identified with their commander, not with the nation. The transfer of a commander from one army to another by order of the Central Government is, in many cases, impossible. The danger of civil war must continue to exist so long as the Central Government lacks the material means to make its authority swiftly and permanently felt all over the country.

The problem of banditry, which may be traced throughout the history of China, and which exists to-day in all parts of the country, is subject to the same considerations. Banditry has always existed in China and the administration has never been able to suppress it thoroughly. Lack of proper communications was one of the reasons which prevented the administration from getting rid of this evil, which increased or decreased according to changing circumstances. Another contributing cause is to be found in the local uprisings and rebellions which have often occurred in China, especially as a result of maladministration. Even after the successful suppression of such rebellions, bandit gangs recruited from the ranks of the rebels often remained active in parts of the country. This was specially the case in the period following the suppression of the Taiping rebellion (1850-1865). In more recent times, bandits have also originated from the ranks of unpaid soldiers who were not able to find other means of living and had been accustomed to looting during the civil wars in which they had taken part.

Other causes which have given rise to an increase of banditry in parts of China were floods and droughts. These are more or less regular occurrences, and they have always brought famine and banditry in their wake. The problem has been further aggravated by the pressure of a rapidly increasing population. In congested areas, normal economic difficulties were still further increased and, amongst people living on a bare subsistence

Nationalism in the schools.

Problems of law and order : Necessity of adequate communications.

Local armies.

Banditry.

¹ Article 47 of the Chapter on "Education of the Citizens".

level with no margin to meet times of crisis, the slightest deterioration in the conditions of life might bring large numbers to the point of destitution. Banditry, therefore, has been largely influenced by the prevailing economic conditions. In prosperous periods or districts it has diminished, but where for any of the reasons mentioned the struggle for existence was intensified or the political conditions were disturbed it was sure to increase.

When once banditry had become well established in any area, its suppression by force was rendered difficult because of the defective communications in the interior of the country. It is in regions which are difficult of access, where a few miles may involve days of travel, that large armed bands can move freely, appearing and disappearing suddenly, without their abodes and movements being known. When bandit suppression has been long neglected, and when the soldiers even co-operate with bandits secretly, as has happened often enough, traffic along highways and waterways is interfered with. Such occurrences can only be stopped by adequate police forces. In the districts of the interior, bandit suppression is much more difficult, because guerilla warfare inevitably develops.

But, though the personal armies of local Generals and the prevalence of bandit hordes throughout the country may disturb the internal peace of the country, they are no longer a menace to the authority of the Central Government as such. There is, however, a menace of this kind from another source — namely, Communism.

The Communist movement in China, during the first years of its existence, remained restricted within intellectual and labour circles, where the doctrine gained considerable influence in the period 1919-1924. Rural China was, at that time, scarcely touched by this movement. The manifesto of the Soviet Government of July 25th, 1919, declaring its willingness to renounce all privileges "extorted" from China by the former Tsarist Government, created a favourable impression throughout China, especially amongst the intelligentsia. In May 1921, the "Chinese Communist Party" was formally constituted. Propaganda was especially conducted in labour circles at Shanghai, where red syndicates were organised. In June 1922, at its second congress, the Communist Party, which did not then number more than three hundred members, decided to ally itself with the Kuomintang. Dr. Sun Yat-sen, although opposed to the Communist doctrine, was prepared to admit individual Chinese Communists into the party. In the autumn of 1922, the Soviet Government sent a Mission to China, headed by Mr. Joffe. Important interviews, which took place between him and Dr. Sun resulted in the joint declaration of January 26th, 1923, by which assurance was given of Soviet sympathy and support to the cause of the national unification and independence of China. It was explicitly stated, on the other hand, that the Communist organisation and the Soviet system of government could not be introduced at that time under the conditions prevailing in China. Following this agreement, a number of military and civil advisers were sent from Moscow by the end of 1923, and "undertook, under the control of Dr. Sun, the modification of the internal organisation of the Kuomintang and of the Cantonese Army".

At the first National Congress of the Kuomintang, convened in March 1924, the admission of Chinese Communists into the party was formally agreed to, on condition that such members should not take any further part in the preparation of the proletarian revolution. The period of tolerance with regard to Communism thus began.

This period lasted from 1924 until 1927. Early in 1924 the Communists counted about 2,000 adherents, and red syndicates approximately 60,000 members. But the Communists soon acquired enough influence inside the Kuomintang to raise anxiety amongst the orthodox members of the party. They presented to the Central Committee, at the end of 1926, a proposal going so far as to include the nationalisation of all landed properties

Communism a challenge to the authority of the Central Government.

Origin of Communism in China, 1921.

Period of tolerance with regard to Communism, 1924-1927.

except those belonging to workmen, peasants or soldiers; the re-organisation of the Kuomintang; the elimination of all military leaders hostile to Communism; and the arming of 20,000 Communists and 50,000 workmen and peasants. This proposal, however, was defeated, and the Communists ceased to support the intended campaign of the Kuomintang against the Northern militarists, although they had previously been most active in the organisation of the Nationalist forces. Nevertheless, at a later stage, they joined in it, and when the Northern Expedition reached Central China and established a Nationalist Government at Wu-Han in 1927, the Communists succeeded in obtaining a controlling position in it, as the Nationalist leaders were not prepared to join issue with them until their own forces had occupied Nanking and Shanghai. The Wu-Han Government put into operation in the provinces of Hunan and Hupeh a series of purely communistic measures. The Nationalist Revolution was almost on the point of being transformed into a Communist Revolution.

The Nationalist leaders at last decided that Communism had become too serious a menace to be tolerated any longer. As soon as they were firmly established at Nanking, where another National Government was constituted on April 10th, 1927, a proclamation was issued in which the Nanking Government ordered the immediate purification of the Army and the Civil Service from Communism. On July 15th, the majority of the Central Executive of the Kuomintang at Wu-Han, who had so far refused to join the Nationalist leaders at Nanking, adopted a resolution excluding Communists from the Kuomintang and ordering the Soviet advisers to leave China. As a result of this decision, the Kuomintang regained its unity and the Government at Nanking became generally recognised by the party.

During the period of tolerance, several military units had been gained to the Communist cause. These had been left in the rear, mostly in Kiangsi Province, when the Nationalist Army was marching to the North. Communist agents were sent to co-ordinate these units and to persuade them to take action against the National Government. On July 30th, 1927, the garrison at Nanchang, the capital of Kiangsi Province, together with some other military units, revolted and subjected the population to numerous excesses. However, on August 5th, they were defeated by the Government forces and withdrew to the South. On December 11th, a Communist rising at Canton delivered control of the city for two days into their hands. The Nanking Government considered that official Soviet agents had actively participated in these uprisings. An order of December 14th, 1927, withdrew the *exequatur* of all the consuls of the U.S.S.R. residing in China.

The recrudescence of civil war favoured the growth of Communist influence in the period between 1928 and 1931. A Red army was organised, and extensive areas in Kiangsi and Fukien were sovietised. Only in November 1930, shortly after the defeat of a powerful coalition of Northern militarists, was the Central Government able to take up the suppression of Communism in earnest. The Communist forces had operated in parts of Kiangsi and Hunan Provinces and were then reported to have caused in two or three months the loss of 200,000 lives and of property valued at about one billion dollars (silver). They had now become so strong that they were able to defeat the first and frustrate the second expedition sent against them by the Government. The third expedition, directed by the Commander-in-Chief, General Chiang Kai-shek, defeated the Communist armies in several encounters. By the middle of July 1931, the most important Communist strongholds had been taken, and their forces were in full retreat towards Fukien.

Whilst constituting a political commission to re-organise the areas which had been devastated, General Chiang Kai-shek pursued the Red armies, and drove them into the mountainous region north-east of Kiangsi.

Break between Kuomintang and Communism, 1927.

Affairs of Nanchang and Canton.

Continuation of armed struggle with the Communist armies.

The Nanking Government was thus on the point of putting the principal Red army out of action, when events occurred in different parts of China which obliged them to suspend this offensive and to withdraw a large part of their troops. In the North had occurred the rebellion of General Shih Yu-san, supported by a hostile intervention on the part of the Cantonese troops in the province of Hunan; simultaneously with this intervention came the events of September 18th at Mukden. Encouraged by these circumstances, the Reds resumed the offensive, and before long the fruits of the victorious campaign were almost completely lost.

Present
extent of
Communist
organisations.

Large parts of the provinces of Fukien and Kiangsi, and parts of Kwangtung, are reliably reported to be completely sovietised. Communist zones of influence are far more extensive. They cover a large part of China south of the Yangtze, and parts of the provinces of Hupeh, Anhwei, and Kiangsu north of that river. Shanghai has been the centre of Communist propaganda. Individual sympathisers with Communism may probably be found in every town in China. So far, two provincial Communist governments only have been organised in Kiangsi and Fukien, but the number of minor Soviets runs into hundreds. The Communist government itself is formed by a committee elected by a congress of local workers and peasants. It is, in reality, controlled by representatives of the Chinese Communist Party, which sends out trained men for that purpose, a large number of whom have been previously trained in the U.S.S.R. Regional Committees, under the control of the Central Committee of the Chinese Communist Party, in their turn control provincial committees and these, again, district committees, and so on, down to the Communist cells organised in factories, schools, military barracks, etc.

Methods
employed by
the
Communists.

When a district has been occupied by a Red army, efforts are made to sovietise it, if the occupation appears to be of a more or less permanent nature. Any opposition from the population is suppressed by terrorism. A Communist government, as described above, is then established. The complete organisation of such governments comprises: Commissariats for Internal Affairs, for the struggle against the anti-revolutionaries (G. P. U.), for Financial Affairs, for Rural Economy, for Education, for Hygiene, for Post and Telegraph, for Communications; and Committees for Military Affairs and for the control of workmen and peasants. Such elaborate government organisations exist only in completely sovietised districts.

Elsewhere the organisation is much more modest.

The programme of action consists in the cancellation of debts, the distribution amongs landless proletarians and small farmers of land forcibly seized, either from large private owners or from religious institutions, such as temples, monasteries and churches. Taxation is simplified; the peasants have to contribute a certain part of the produce of their lands. With a view to the improvement of agriculture, steps are taken to develop irrigation, rural credit systems, and co-operatives. Public schools, hospitals and dispensaries may also be established.

Thus the poorest farmers derive considerable benefit from Communism, whereas the rich and middle-class landowners, merchants and local gentry are completely ruined, either by immediate expropriation or by levies and fines, and, in applying its agrarian programme, the Communist Party expects to gain the support of the masses. In this respect, its propaganda and action have met with considerable success, notwithstanding the fact that Communist theory conflicts with the Chinese social system. Existing grievances resulting from oppressive taxation, extortion, usury and pillage by soldiery or bandits were fully exploited. Special slogans were employed for farmers, workmen, soldiers and intellectuals, with variations specially adapted to women.

Special
character of
Communism
in China.

Communism in China not only means, as in most countries other than the U.S.S.R., either a political doctrine held by certain members of existing parties, or the organisation of a special party to compete for power with

other political parties. It has become an actual rival of the National Government. It possesses its own law, army and government, and its own territorial sphere of action. For this state of affairs there is no parallel in any other country. Moreover, in China, the disturbance created by the Communist war is made more serious by the fact that the country is going through a critical period of internal reconstruction, still further complicated during the last eleven months by an external crisis of exceptional gravity. The National Government seems to be determined to regain the control of the districts under Communist influence, and to pursue in those districts, once their recovery is achieved, a policy of economic rehabilitation; but in its military campaigns, apart from difficulties already mentioned, both internal and external, it is hampered by lack of funds and defective communications. The problem of Communism in China is thus linked up with the larger problem of national reconstruction.

In the summer of 1932, important military operations, having for their object a final suppression of the Red resistance, were announced by the Government of Nanking. They were commenced and, as stated above, were to have been accompanied by a thorough social and administrative reorganisation of the recaptured regions, but up to the present no important results have been announced.

So far as Japan is China's nearest neighbour and largest customer, she has suffered more than any other Power from the lawless conditions described in this chapter. Over two-thirds of the foreign residents in China are Japanese, and the number of Koreans in Manchuria is estimated at about 800,000. She has more nationals, therefore, than any other Power, who would suffer if they were made amenable to Chinese law, justice and taxation under present conditions.

Japan felt it impossible to satisfy Chinese aspirations so long as satisfactory safeguards to take the place of her Treaty rights could not be hoped for. Her interests in China, and more especially in Manchuria, began to be more prominently asserted as those of the other major Powers receded into the background. Japan's anxiety to safeguard the life and property of her subjects in China caused her to intervene repeatedly in times of civil war or of local disturbances. Such action was bitterly resented by China, especially when it resulted in an armed clash such as occurred in 1928 at Tsinan. In recent years, the claims of Japan have come to be regarded in China as constituting a more serious challenge to national aspirations than the rights of all the other Powers taken together.

This issue, however, though affecting Japan to a greater extent than other Powers, is not a Sino-Japanese issue alone. China demands immediately the surrender of certain exceptional powers and privileges because they are felt to be derogatory to her national dignity and sovereignty. The foreign Powers have hesitated to meet these wishes as long as conditions in China did not ensure adequate protection of their nationals, whose interests depend on the security afforded by the enjoyment of special Treaty rights. The process of fermentation, inevitable in a period of transition, which this chapter has attempted to describe, has developed forces of public opinion which will probably continue to embarrass the Central Government in the conduct of its foreign policy, as long as it is weakened by failure to complete the unification and reconstruction of the country. The realisation of China's national aspirations in the field of foreign relations depends on her ability to discharge the functions of a modern Government in the sphere of domestic affairs, and until the discrepancy between these two has been removed the danger of international friction and of incidents, boycotts, and armed interventions will continue.

The present extreme case of international friction having forced China once more to seek the intervention of the League of Nations should, if a satisfactory settlement can be effected, convince her of the advantages of

Effect of these
conditions
upon
Sino-Japanese
relations.

International
interest in the
problems of
Chinese
reconstruction.

International
co-operation
offers the

best hope of
their solution.

the policy of international co-operation, which was inaugurated at Washington with such beneficial results in 1922. China has not at the moment the capital nor the trained specialists necessary for the unaided accomplishment of her national reconstruction. Dr. Sun Yat-sen himself realised this, and actually drew up an ambitious plan of international participation in the economic development of his country. The National Government, too, has in recent years sought and accepted international help in the solution of her problems — in financial matters since 1930, in matters relating to economic planning and development in liaison with the technical organisations of the League of Nations since the constitution of the National Economic Council in 1931, and in relief of the distress caused by the great flood of the same year. Along this road of international co-operation, China would make the surest and most rapid progress towards the attainment of her national ideals, and such a policy would make it easier for foreign Powers to give what support the Central Government may seek, and to help in the removal as rapidly and as effectively as possible of any causes of friction which may endanger her peaceful relations with the rest of the world.

Chapter II.

MANCHURIA.

DESCRIPTION, RELATIONS WITH THE REST OF CHINA AND WITH RUSSIA.

1. DESCRIPTION.

Introductory.

Manchuria, which is known in China as the Three Eastern Provinces, a large, fertile region only forty years ago almost undeveloped and even now still under-populated, has assumed an increasingly important role in the solution of the surplus population problems of China and Japan. The provinces of Shantung and Hopei have poured millions of destitute farmers into Manchuria, while Japan has exported to that country her manufactured articles and capital, in exchange for food supplies and raw materials. In providing for the respective needs of China and Japan, Manchuria has proved the usefulness of their partnership. Without Japan's activity, Manchuria could not have attracted and absorbed such a large population. Without the influx of Chinese farmers and labourers, Manchuria could not have developed so rapidly, providing Japan thereby with a market and with supplies of food, fertilisers, and raw materials.

Manchuria a
coveted
region, first on
account of its
strategic
advantages,
subsequently
on account of
agricultural
and mineral
resources.

Yet, Manchuria, so largely dependent on co-operation, was destined, for reasons already indicated, to become a region of conflict: at first between Russia and Japan, later between China and her two powerful neighbours. At first, Manchuria entered into this great conflict of policies only as an area, the occupation of which was thought to imply domination of Far-Eastern politics. It became coveted for its own sake later, when its agricultural, mineral and forestry resources had been discovered. Exceptional treaty rights were acquired in the first instance by Russia at the expense of China. Those which concerned South Manchuria were subsequently transferred to Japan. The use of the privileges so acquired became more and more instrumental in furthering the economic development of South Manchuria. Strategic considerations have remained paramount, but the extensive economic interests resulting from the active part taken

by Russia and Japan in the development of Manchuria found an ever-increasing insistence in the foreign policy of these two countries.

China at first showed little activity in the field of development. She almost allowed Manchuria to pass from her control to that of Russia. Even after the Treaty of Portsmouth, which reaffirmed her sovereignty in Manchuria, the economic activities of Russia and Japan in developing those provinces figured more prominently than her own in the eyes of the world. Meanwhile the immigration of millions of Chinese farmers settled the future possession of the land. This immigration was in fact an occupation—peaceful, inconspicuous, but none the less real. While Russia and Japan were engaged in delimiting their respective spheres of interest in North and South Manchuria, Chinese farmers took possession of the soil and Manchuria is now unalterably Chinese. In such circumstances, China could afford to wait for a favourable opportunity to reassert her sovereign rights. The Russian revolution of 1917 gave her that opportunity in North Manchuria. She began to take a more active part in the government and development of the country, which had been so long neglected. In recent years she has tried to diminish Japan's influence in South Manchuria. Growing friction resulted from that policy, the culminating point of which was reached on September 18th, 1931.

The total population is estimated at about 30,000,000, of whom 28,000,000 are said to be Chinese or assimilated Manchus. The number of Koreans is put at 800,000, of whom a large number are congregated in the so-called Chientao District on the Korean border, the remainder being widely scattered in Manchuria. Mongol tribes live in the pasture lands bordering Inner Mongolia, their number being small. There may be about 150,000 Russians in Manchuria, most of them living in the area along the Chinese Eastern Railway, especially at Harbin. About 230,000 Japanese are mainly concentrated in the settlements along the South Manchuria Railway and in the Kwantung Leased Territory (Liaotung Peninsula). The total number of Japanese, Russians and other foreigners (excluding Koreans) in Manchuria does not exceed 400,000.

Manchuria is a vast country with an area as large as that of France and Germany taken together, estimated at about 380,000 square miles. In China it is always referred to as the "Three Eastern Provinces" because of its administrative division into the three provinces of Liaoning (or Feng-tien) in the South, Kirin in the East, and Heilungkiang in the North. Liaoning is estimated to have an area of 70,000 square miles, Kirin of 100,000, Heilungkiang of over 200,000.

Manchuria is continental in its characteristics. There are two mountain ranges, the Changpai Range in the south-east and the Great Khingan Range in the north-west. Between these two mountain ranges lies the great Manchurian plain, of which the northern part belongs to the basin of the Sungari River and the southern part to that of the Liao River. The watershed between them, which has some historical importance, is a range of hills dividing the Manchurian plain into a northern and a southern part.

Manchuria is bounded on the west by the province of Hopeh and by Outer and Inner Mongolia. Inner Mongolia was formerly divided into three special administrative areas—Jehol, Chahar and Suiyuan—which were given the full status of provinces by the National Government in 1928. Inner Mongolia, and more especially Jehol, has always had relations with Manchuria, and exercises some influence in Manchurian affairs. On the north-west, north-east, and east, Manchuria is bounded by the Siberian provinces of the U.S.S.R., on the south-east by Korea, and on the south by the Yellow Sea. The southern end of the Liaotung Peninsula has been held by Japan since 1905. Its area is over 1,300 square miles, and it is administered as a Japanese leased territory. In addition, Japan exercises

Occupation of
the soil by
Chinese
farmers.

Population.

Area

Geography.

Economic resources.

certain rights over a narrow strip of land, which extends beyond the Leased Territory, and which contains the lines of the South Manchuria Railway. The total area is only 108 square miles, whereas the length of the lines is 690 miles.

The soil of Manchuria is generally fertile, but its development is dependent on transportation facilities. Many important towns flourish along its rivers and railways. Formerly, development was practically dependent on the river system, which is still of much importance, though the railways have now taken the first place as a means of transport. The production of important crops, such as soya beans, kaoliang, wheat, millet, barley, rice, oats, has doubled in fifteen years. In 1929, these crops were estimated at over 876,000,000 bushels. According to estimates given in the *Manchurian Year-Book*, 1931, only 12.6 per cent of the total area has been brought under cultivation in 1929, whereas 28.4 per cent was cultivable. A large increase of production may therefore be expected in the future if economic conditions improve. The total value of the agricultural products of Manchuria for the year 1928 was estimated at over £130,000,000 sterling. A large part of the agricultural produce is exported. Pongee or tussah silk is another important article of export from Manchuria.

Timber and minerals

The mountainous regions are rich in timber and minerals, especially coal. Important deposits of iron and gold are also known to exist, while large quantities of oil shale, dolomite, magnesite, limestone, fireclay, statite, and silica of excellent quality have been found. The mining industry may therefore be expected to become of great importance.¹

2. RELATIONS WITH THE REST OF CHINA.

Early history of the fall of the Manchu Dynasty.

Manchuria has, since the dawn of history, been inhabited by various Tungus tribes, who mixed freely with Mongol Tartars. Under the influence of Chinese immigrants of superior civilisation they learned to organise themselves and established several kingdoms which sometimes dominated the greater part of Manchuria and some northern districts in China and Korea. The Liao, Chin, and Manchu Dynasties even conquered large parts or the whole of China over which they ruled for centuries. China, on the other hand, under strong emperors, was able to stem the tide from the North, and in her turn to establish sovereignty over large parts of Manchuria. Colonisation by Chinese settlers was practised at a very early date. Various Chinese towns which radiated the influence of Chinese culture through the surrounding districts date from the same early time. For two thousand years a permanent foothold has been maintained, and Chinese culture has always been active in the southernmost part of Manchuria. The influence of this culture had become very strong during the rule of the Ming Dynasty (1368-1644), whose authority extended over practically the whole of Manchuria. The Manchus were permeated by Chinese culture and had amalgamated to a great extent with the Chinese before they overthrew the Ming administration in Manchuria in 1616, and in 1628 passed the Great Wall to conquer China. In the Manchu Army were large numbers of Chinese who were organised in separate military units known as Chinese Banners.

After the conquest, the Manchus quartered their garrisons in the more important cities of China, forbade Manchus to engage in certain professions, prohibited intermarriage between Manchus and Chinese, and restricted the immigration of Chinese into Manchuria and Mongolia. These measures were inspired more by political than by racial discrimination, and aimed at safeguarding the permanent dominance of the dynasty. They did not

¹ See also Chapter VII and the special studies No. 2 and No. 3 annexed to this Report.

affect the numerous Chinese Bannermen, who enjoyed practically the same privileged status as the Manchus themselves.

The exodus of the Manchus and their Chinese allies greatly reduced the population of Manchuria. However, in the South, Chinese communities continued to exist. From this foothold a few settlers spread across the central part of Fengtien province. Their number was increased by a continuous infiltration of immigrants from China, who succeeded in evading the exclusion laws or who had profited by their modifications from time to time. Manchus and Chinese became still more amalgamated, and even the Manchu language was virtually replaced by Chinese. The Mongols, however, were not assimilated but pushed back by the advancing immigrants. Finally, to stem the Russian advance from the North, the Manchu Government decided to encourage Chinese immigration. In 1878, various parts of Manchuria were accordingly opened and various forms of encouragement given to immigrants, with the result that, at the time of the Chinese Revolution in 1911, the population of Manchuria was estimated at 18,000,000.

In 1907, a few years only before its abdication, the Manchu Dynasty had decided to reform the administration in Manchuria. These provinces had hitherto been administered as a separate, extra-mural dominion, with its own form of government. The Chinese practice of entrusting the civil administration in the provinces to scholars who had passed the competitive examinations had not been followed in Manchuria, which had been placed under a purely military regime in which Manchu officials and traditions were maintained. In China, officials were not allowed to hold office in their native province. Each Manchurian province had a military governor, who exercised complete power in civil as well as in military matters. Later, attempts had been made to separate military and civil administration. The results were not satisfactory. The demarcation of the respective spheres of authority was not adequate; misunderstandings and intrigues were frequent and inefficiency resulted. In 1907, therefore, this attempt was given up. The three military governors were replaced by a Viceroy for all Manchuria, with the object of centralising authority, especially in the domain of foreign policy. Provincial civil governors under the control of the Viceroy were in charge of provincial administration. This reorganisation prepared the way for the later administrative reforms which introduced the Chinese system of provincial government. These last measures of the Manchus were very effective, thanks to the able administrators in charge of Manchurian affairs after 1907.

When the Revolution broke out in 1911, the Manchurian authorities who were not in favour of the Republic succeeded in saving these provinces from the turmoil of civil war by ordering Chang Tso-lin, who was later to become the dictator of both Manchuria and North China, to resist the advance of the revolutionary troops. When the Republic had been established, the Manchurian authorities accepted the *fait accompli* and voluntarily followed the leadership of Yuan Shih-kai, who was chosen the first President of the Republic. To each province both civil and military governors were appointed. In Manchuria, as in the rest of China, the military governors soon succeeded in putting their civil colleagues into the background.

In 1916, Chang Tso-lin was appointed military governor of Fengtien province, concurrently acting as civil governor. His personal influence extended much further. When the question arose of declaring war against Germany, he joined the military leaders in China in their request to dissolve the Parliament which had opposed that measure. When the request was rejected by the President, he declared his province independent from the Central Government at Peking. Later, he withdrew that declaration and in 1918, in recognition of his service to the Central Government, he was appointed Inspector-General of all Manchuria. In this way Manchuria again became an administrative unit with its own special regime.

After the fall of the Manchu Dynasty.

1916.
Chang Tso-lin appointed Governor of Fengtien province.

1922.
He severs
allegiance to
Central
Government
at Peking.

The Mukden
Agreement
with
U.S.S.R.
1924.

Marshal Chang
Tso-lin defeats
General
Wu Pei-fu.

Mutiny of Kuo
Sung-lin, 1925.

Meaning of
Manchurian
independence.

Chang Tso-lin accepted the honours accorded by the Central Government, but his attitude from time to time depended on the nature of his personal relations with the military leaders who controlled the changing central authorities. He seems to have looked upon his relations with the Government in the sense of a personal alliance. In July 1922, when he failed to establish his authority south of the Great Wall and saw his rivals taking control of the Peking Government, he renounced allegiance to the Central Government and maintained complete independence of action in Manchuria until he extended his authority south of the Wall and became master of Peking as well. He expressed his willingness to respect foreign rights, and accepted the obligations of China, but he requested foreign Powers to negotiate henceforth directly with his administration in all matters concerning Manchuria.

Accordingly, he repudiated the Sino-Soviet Agreement of May 31st, 1924, though very advantageous to China, and persuaded the U.S.S.R. to conclude a separate agreement with him in September 1924. It was virtually identical with that of May 31st, 1924, with the Central Government. This fact emphasised Chang Tso-lin's insistence on the recognition of his complete independence of action, both in domestic and foreign policy.

In 1924, he invaded China again and was successful, because General (now Marshal) Feng Yu-hsiang abandoned his superior, General (now Marshal) Wu Pei-fu, at a critical moment in the campaign. The immediate result was the overthrow of the Central Government and the expansion of Marshal Chang's influence as far south as Shanghai.

In 1925, Marshal Chang had again to resort to arms, this time against his late ally, General Feng. In this campaign one of his commanders, Kuo Sung-lin, abandoned him at a most critical moment in favour of General Feng. The mutiny of Kuo Sung-lin in November 1925 was of more than passing interest, because it involved both the U.S.S.R. and Japan, the action of the former having been indirectly of advantage to General Feng and that of the latter to Marshal Chang. Kuo Sung-lin, though a subordinate of the Marshal, shared General Feng's views about social reform, and turned against his superior in the belief that his downfall was necessary to put an end to civil war. This defection put the Marshal in a most critical position. Kuo Sung-lin was in possession of the territory west of the railway and the Marshal was at Mukden with greatly reduced forces. At this moment, Japan, in her own interests in South Manchuria, declared a neutral zone of 20 li (7 miles) on each side of the South Manchuria Railway, across which she would allow no troops to pass. This prevented Kuo Sung-lin from advancing against the Marshal and allowed time for the reinforcements from Heilungkiang to reach him. They were delayed by the action of the Soviet railway authorities, who refused to allow them to travel over the railway without first paying their fares in cash, but they managed to travel by another route.

The arrival of these reinforcements and the more or less open help given by the Japanese settled the campaign in the Marshal's favour. Kuo Sung-lin was defeated and General Feng was forced to withdraw and to abandon Peking to Marshal Chang. Marshal Chang resented the action of the authorities of the Chinese Eastern Railway on this occasion and left no stone unturned to retaliate by continuous encroachments on the rights of this railways. The experience provided by this incident appears to have been an important factor in causing him to build an independent railway system connecting the three provincial capitals of Manchuria.

The independence declared by Marshal Chang Tso-lin at different times never meant that he or the people of Manchuria wished to be separated from China. His armies did not invade China as if it were a foreign country, but merely as participants in the civil war. Like the war lords of any other province, the Marshal alternately supported, attacked, or declared

his territory independent of the Central Government, but never in such a way as to involve the partition of China into separate States. On the contrary, most Chinese civil wars were directly or indirectly connected with some ambitious scheme to unify the country under a really strong Government. Through all its wars and periods of "independence", therefore, Manchuria remained an integral part of China.

Although Marshal Chang Tso-lin and the Kuomintang had been allies in the wars against Wu Pei-fu, the former did not himself accept the doctrines of the Kuomintang. He did not approve of the constitution as desired by Dr. Sun, as it did not seem to him to harmonise with the spirit of the Chinese people; but he desired the unification of China, and his policy with regard to the spheres of interest of the U.S.S.R. and Japan in Manchuria shows that he would have liquidated both if he could have done so. Indeed, he almost succeeded in accomplishing this in the case of the sphere of the U.S.S.R. and initiated the policy of railway construction already referred to, which was to cut off the South Manchuria Railway from some of its feeder districts. This attitude towards U.S.S.R. and Japanese interests in Manchuria may be attributed partly to impatience at the limitations of his authority in dealing with these countries and partly to the resentment which he shared with all shades of Chinese opinion regarding the privileged position of foreigners in China. In fact, in November 1924, he invited Dr. Sun to a re-organisation conference in the programme of which the latter wanted to include the improvement of the standard of living, the convening of a national convention, and the abolition of unequal treaties. Dr. Sun's fatal illness prevented this conference from taking place; but his proposals suggest a certain understanding with the Marshal and a possible basis of agreement between them with regard to the foreign policy of their country.

In the last years of his life, Marshal Chang Tso-lin showed increasing unwillingness to allow Japan to profit by the privileges she derived from various treaties and agreements. Their relations at times became somewhat strained. Japanese advice that he should keep out of the factional strife in China and concentrate his energy on the development of Manchuria he resented and disregarded, as did his son after him. After the defeat of General Feng, Chang Tso-lin became the chief of the alliance of the Northern militarists, with the title of Great Marshal.

In 1928, he suffered defeat at the hands of the Kuomintang Army in their Northern Expedition referred to in Chapter I, and was advised by Japan to withdraw his armies into Manchuria before it was too late. The declared object of Japan was to save Manchuria from the evils of civil war which would have resulted from the entry of a defeated army pursued by its victors.

The Marshal resented the advice, but was obliged to follow it. He left Peiping (formerly Peking) on June 3rd, 1928, for Mukden, but was killed the next day by an explosion which wrecked his train just outside the city at the spot where the Peiping-Mukden Railway passes underneath the bridge over which run the lines of the South Manchuria Railway.

The responsibility for this murder has never been established. The tragedy remains shrouded in mystery, but the suspicion of Japanese complicity to which it gave rise became an additional factor in the state of tension which Sino-Japanese relations had already reached by that time.

After the death of Marshal Chang Tso-lin, his son, Chang Hsueh-liang, became the ruler of Manchuria. He shared many of the national aspirations of the younger generation, and desired to stop civil warfare and assist the Kuomintang in its policy of unification. As Japan had already some experience of the policy and tendencies of the Kuomintang, she did not welcome the prospect of such influences penetrating into Manchuria. The young Marshal was advised accordingly. Like his father, he resented that

Chang Tso-lin
and the
Kuomintang.

Last years of
Chang Tso-lin.

Death of
Marshal
Chang Tso-lin,
June 4th, 1928.

Succeeded by
his son,
Marshal
Chang
Hsueh-liang.

The young Marshal declares allegiance to the Central Government.

Kuomintang connection more nominal than real.

Effect of union with Nationalist Government on foreign policy in Manchuria.

advice and decided to follow his own counsel. His relations with the Kuomintang and with Nanking became closer and, in December 1928, he accepted the national flag and declared his allegiance to the Central Government. He was made Commander-in-Chief of the North-Eastern Frontier Army and was also confirmed as chief of the administration of Manchuria, with the addition of Jehol, a part of Inner Mongolia with an area of about 60,000 square miles.

The union of Manchuria with Nationalist China necessitated some changes in the administrative organisation, which was made to approximate to that of the Central Government. The committee system was introduced and Kuomintang headquarters were established. In reality, 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 Kuomintang 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. Orders or instructions requiring unquestioning obedience would not have been tolerated. Appointments or dismissals against the wishes of the Manchurian authorities were unthinkable. In various other parts of China, a similar independence of action in government and party affairs existed. All important appointments are, in such cases, really made by the local authorities and only confirmed by the Central Government.

In the domain of foreign policy, the union of Manchuria with the Nationalist Government was to have more important consequences, although, in this respect, the local authorities were also left much liberty of action. The persistent assaults of Marshal Chang Tso-lin on the position of the Chinese Eastern Railway in Manchuria and his disregard of certain rights claimed by Japan show that, in Manchuria, a "forward policy" had already been adopted before the union with the Nationalists. However, after the union, Manchuria was opened to well-organised and systematic Kuomintang propaganda. In its official party publications and numerous affiliated organs, it never ceased to insist on the primary importance of the recovery of lost sovereign rights, the abolition of unequal treaties, and the wickedness of imperialism. Such propaganda was bound to make a profound impression in Manchuria, where the reality of foreign interests, courts, police, guards or soldiers on Chinese soil, was apparent. Through the Nationalist school-books, party propaganda entered the schools. Associations such as the Liaoning Peoples' Foreign Policy Association made their appearance. They stimulated and intensified the nationalist sentiment and carried on an anti-Japanese agitation. Pressure was brought to bear on Chinese house-owners and landlords to raise the rents of Japanese and Korean tenants, or to refuse renewal of rent contracts¹. The Japanese reported to the Commission many cases of this nature. Korean settlers were subjected to systematic persecution. Various orders and instructions of an anti-Japanese nature were issued. Cases of friction accumulated and dangerous tension developed. The Kuomintang Party headquarters in the provincial capitals were established in March 1931, and subsequently branch organisations were set up in the other towns and districts. Party propagandists from China came North in increasing numbers. The Japanese complained that the anti-Japanese agitation was intensified every day. In April 1931, a five-days' conference under the auspices of the People's Foreign Policy Association was held at Mukden, with over three hundred delegates from various parts of Manchuria in attendance. The possibility of liquidating the Japanese position in Manchuria was discussed, the

¹ See special study No. 9, annexed to this Report.

recovery of the South Manchuria Railway being included in the resolutions adopted. At the same time, the U.S.S.R. and her citizens suffered from similar tendencies, while the White Russians, although they had no sovereign rights or exceptional privileges to surrender, were subjected to humiliation and ill-treatment.

As regards domestic affairs, the Manchurian authorities had retained all the power they wanted, and they had no objection to following administrative rules and methods adopted by the Central Government so long as the essentials of power were not affected.

Soon after the union, the Political Committee of the North-Eastern Provinces was established at Mukden. It was, under the nominal supervision of the Central Government, the highest administrative authority in the North-Eastern Provinces. It consisted of thirteen members, who elected one of their number as President. The Committee was responsible for the direction and supervision of the work of the Governments of the four provinces of Liaoning, Kirin, Heilungkiang and Jehol, and of the so-called Special District which, since 1922, had replaced the administrative sphere of the Chinese Eastern Railway. The Committee had authority to deal with all matters not specifically reserved to the Central Government and to take any action which did not conflict with their laws and orders. It was the duty of the Governments of the Provinces and of the Special District to carry out the decisions reached by the Committee.

The administrative system of the Provinces did not differ essentially from the organisation adopted in the rest of China. The concession made with regard to the preservation of Manchuria as an administrative unit was the most important difference. Without this concession, voluntary union would probably not have taken place. In fact, notwithstanding external changes, the old conditions continued to exist. The Manchurian authorities realised that, as before, their power derived much more from their armies than from Nanking.

This fact explains the maintenance of large standing armies numbering about 250,000 men, and of the huge arsenal on which more than \$200,000,000 (silver) are reported to have been spent. Military expenses are estimated to have amounted to 80 per cent of the total expenditure. The remainder was not sufficient to provide for the costs of administration, police, justice and education. The treasury was not capable of paying adequate salaries to the officials. As all power rested in the hands of a few military men; office could be owned only through them. Nepotism, corruption, and maladministration continued to be unavoidable consequences of this state of affairs. The Commission found grave complaints concerning this maladministration to be widely current. This state of affairs, however, was not peculiar to Manchuria, as similar or even worse conditions existed in other parts of China.

Heavy taxation was needed for the upkeep of the army. As ordinary revenues were still insufficient, the authorities further taxed the people by steadily depreciating the irredeemable provincial currencies¹. This was often done, particularly of late, in connection with "official bean-buying" operations, which by 1930 had already assumed monopolistic proportions. By gaining control over Manchuria's staple products, the authorities had hoped to enhance their gains by compelling the foreign bean-buyers, particularly the Japanese, to pay higher prices. Such transactions show the extent to which the authorities controlled banks and commerce. Officials likewise engaged freely in all sorts of private enterprise, and used their power to gather wealth for themselves and their favourites.

Whatever the shortcomings of the administration in Manchuria may have been in the period preceding the events of September 1931, efforts

¹ See special studies No. 4 and No. 5, annexed to this Report.

Effect on domestic affairs.

The Political Committee of the North-Eastern Provinces.

The Army — Military expenditure 80 per cent of total expenditure.

Constructive efforts of the

**Chinese
administration
in Manchuria.**

were made in some parts of the country to improve the administration, and certain achievements must be noted, particularly in the field of education, progress, of municipal administration, and of public utility work. It is necessary, in particular, to emphasise that, during this period, under the administration of Marshal Chang Tso-lin and Marshal Chang Hsueh-liang, the Chinese population and Chinese interests played a much greater part than formerly in the development and organisation of the economic resources of Manchuria¹.

The extensive settlement of Chinese immigrants, already mentioned, helped to develop the economic and social relations between Manchuria and the rest of China. But apart from this colonisation, it was during this period that Chinese railways, independent of Japanese capital, notably the Mukden-Hailung, the Tahushan-Tungliiao (a branch of the Peiping-Mukden system), the Tsitsihar-Koshan, and the Hulun-Hailun railways, were built, and that the Hulutao Harbour project, the Liao River Conservancy work, and some navigation enterprises on various rivers were started. Official and private Chinese interests participated in many enterprises. In mining, they had an interest in the Penhsihu, Muling, Chalainoerh and Laotoukou coal-mines, and sole responsibility for the development of other mines, many of them under the direction of the official North-Eastern Mining Administration; they were also interested in gold-mining in Heilungkiang province. In forestry, they had a joint interest with Japanese in the Yalu Timber Company and were engaged in the timber industry in Heilungkiang and Kirin Provinces. Agricultural experimental stations were started in various places in Manchuria, and agricultural associations and irrigation projects were encouraged. Finally, Chinese interests were engaged in milling and textile industries, bean, oil and flour mills in Harbin, spinning and weaving mills for Pongee or Tussah silk, cotton and wool.

**Commercial
relations with
the rest of
China.**

Commerce between Manchuria and the rest of China also increased². This trade was partly financed by Chinese banks, notably the Bank of China, which had established branches in the leading towns in Manchuria. Chinese steamships and native junks plied between China Proper and Dairen, Yingkow (New-chwang) and Antung. They carried increasing amounts of cargo and occupied second place in Manchuria's shipping, being exceeded only by Japanese tonnage. Chinese insurance business was also on the increase, and the Chinese Maritime Customs derived an ever-increasing revenue from the trade of Manchuria.

Thus, during the period preceding the conflict between China and Japan, both the political and economic ties between Manchuria and the rest of China were gradually strengthened. This growing interdependence contributed to induce Chinese leaders, both in Manchuria and in Nanking, to pursue an increasingly nationalist policy directed against the interests and rights acquired by Russia or Japan.

3. RELATIONS WITH RUSSIA.

**Russo-Chinese
Relations.**

The Sino-Japanese war of 1894-95 had given Russia an opportunity to intervene, ostensibly on behalf of China, but in fact in her own interest, as subsequent events proved. Japan was forced by diplomatic pressure to return to China the Liaotung Peninsula in South Manchuria, which had been ceded to Japan by the Treaty of Shimonoseki in 1895, and Russia assisted China to pay off the war indemnities which had been imposed by Japan. In 1896, a secret defensive alliance was concluded between the two countries and, in the same year, in consideration of the services above

¹ See also Chapter VIII and special study No. 3, annexed to this Report.

² See also Chapter VIII and special study No. 6, annexed to this Report.

referred to, Russia was authorised by China to carry a branch of the Trans-Siberian Railway across Manchuria in a direct line from Chita to Vladivostok. This line was said to be needed for the transportation of Russian forces to be sent to the East in case Japan should again attack China. The Russo-Chinese Bank (later the Russo-Asiatic Bank) was established to mask somewhat the official character of the enterprise. The Bank formed in its turn the Chinese Eastern Railway Company for the construction and operation of the railway. By the terms of the contract of September 8th, 1896, between the Bank and the Chinese Government, the Company was to build the railway and operate it for eighty years, at the end of which it was to become the property of China free of charge, but China had the right of purchasing it at a price to be agreed upon at the end of thirty-six years. During the period of the contract, the company was to have the absolute and exclusive right of administration of its lands. This clause was interpreted by Russia in a much broader way than various other stipulations in the contract seem to warrant. China protested against the continuous Russian attempts to enlarge the scope of the contract, but was not able to prevent it. Russia gradually succeeded in exercising in the Chinese Eastern Railway area, with its rapidly developing railway towns, rights equivalent to rights of sovereignty. China had also consented to hand over free of charge all Government lands needed by the railway, while private lands might be expropriated at current prices. The Company had, furthermore, been permitted to construct and operate the telegraph lines necessary for its own use.

In 1898, Russia secured a lease for twenty-five years of the southern part of the Liaotung Peninsula, which Japan had been forced to give up in 1895, and also secured the right to connect the Chinese Eastern Railway at Harbin with Port Arthur and Dalny (now Dairen) in the leased territory. Authority was given for the construction of a naval port at Port Arthur. In the area traversed by this branch line, the Company was granted the right to cut timber and to mine coal for the use of the railway. All the stipulations of the contract of September 8th, 1896, were extended to the supplementary branches. Russia was authorised to make her own tariff arrangements inside the leased territory. In 1899, Dalny (now Dairen) was declared a free port and opened to foreign shipping and commerce. No railway privileges were to be given to the subjects of other Powers in the area traversed by the branch line. In the neutral ground north of the leased territory, no ports were to be opened to foreign trade and no concessions or privileges were to be granted without the consent of Russia.

In 1900, Russia occupied Manchuria on the ground that the Boxer rising had endangered her nationals. Other Powers protested and demanded the withdrawal of her forces, but Russia delayed taking action in this sense. In February 1901, the draft of a secret Sino-Russian treaty was discussed in St. Petersburg, by the terms of which China, in return for the restoration of her civil authority in Manchuria, was to sanction the maintenance of the railway guards which Russia had established under Clause 6 of the Fundamental Contract of 1896, and to engage not to transfer to other nations or their subjects, without the consent of Russia, mines or other interests in Manchuria, Mongolia, and Sinkiang. These and some other clauses in the draft treaty, when they became known, aroused opposition from public opinion in China and other countries and, on April 3rd, 1901, the Russian Government issued a circular note to the effect that the project had been withdrawn.

Japan followed these manoeuvres with particular attention. On January 30th, 1902, she had concluded the Anglo-Japanese Treaty of Alliance and accordingly felt herself more secure. However, she was still concerned at the prospect of Russian encroachments into Korea and Manchuria. She therefore pressed with the other Powers for the evacuation

**The Chinese
Eastern
Railway.**

**Contract of
September 8th,
1896.**

**Lease of the
Liaotung
Peninsula
to Russia,
1898.**

**Russian
occupation of
Manchuria,
1900.**

**Japan
resorted to
war against
Russia,
February 10th,
1904.**

of the Russian forces in Manchuria. Russia declared her willingness to withdraw on conditions which would have virtually closed Manchuria and Mongolia to other than Russian enterprise. In Korea, Russian pressure increased also. In July 1902, Russian troops appeared at the mouth of the Yalu River. Several other acts convinced Japan that Russia had decided upon a policy which was a menace to her interests, if not to her very existence. In July 1903, she began negotiations with Russia concerning the maintenance of the policy of the Open Door and the territorial integrity of China, but, having met with no success whatever, she resorted to war on February 10th, 1904. China remained neutral.

Russia was defeated. On September 5th, 1905, she concluded the Treaty of Portsmouth, whereby she relinquished her exceptional rights in South Manchuria in favour of Japan. The leased territory and all rights connected with the lease were transferred to Japan, and also the railway between Port Arthur and Changchun, with its branches, as well as all coal-mines in that region belonging to or worked for the benefit of the railway. Both parties agreed to restore to the exclusive administration of China all portions of Manchuria occupied or under the control of their respective troops, with the exception of the leased territory. Both reserved the right to maintain (under certain specified conditions) guards to protect their respective railway lines in Manchuria, the number of such guards not to exceed fifteen per kilometre.

Russia had lost half of her sphere of influence, which was henceforth to be restricted to North Manchuria. She retained her position there and increased her influence in the following years, but, when the Russian Revolution broke out in 1917, China decided to reassert her sovereignty in this area.

At first, her action was restricted to participation in the Allied intervention (1918-1920) which, in connection with the chaotic conditions rapidly developing, after the Russian Revolution, in Siberia and North Manchuria, had been proposed by the United States of America for the double purpose of protecting the vast stores of war material and supplies accumulated at Vladivostok and of assisting the evacuation of some 50,000 Czechoslovak troops, who were retreating from the eastern front across Siberia. This proposal was accepted and it was arranged that each country should send an expeditionary force of 7,000 men to be assigned to its own special section of the Trans-Siberian line, the Chinese Eastern Railway being confided to the sole charge of the Chinese. To ensure the working of the railways in co-operation with the Allied forces, a special Inter-Allied Railway Committee was formed in 1919 with technical and transportation boards under it. In 1920, the intervention came to an end and the Allied forces were withdrawn from Siberia except the Japanese, who had become involved in open hostilities with the Bolsheviks. The fighting dragged on for nearly two years. In 1922, after the Washington Conference, the Japanese troops were also withdrawn and, simultaneously, the Inter-Allied Committee, with its technical board, ceased to exist.

Meanwhile, China, after an abortive attempt of General Horvath, the head of the Chinese Eastern Railway, to set up an independent regime in the railway area, assumed responsibility for the preservation of order in that area (1920). In the same year, she concluded an agreement with the re-organised Russo-Asiatic Bank and announced her intention of assuming temporarily supreme control of an agreement with a new Russian Government. China also announced her intention of resuming the advantages conferred on her by the contract of 1896 and the original statutes of the Company. Thenceforth, the President and four members of the Board of Directors of the Company and two members of the Audit Committee were to be nominated by the Chinese Government. Russian predominance was also weakened by other measures which followed. The Russian armed

Treaty of
Portsmouth

Russian
influence
restricted to
North
Manchuria.

Siberian
expedition.

After outbreak
of Russian
Revolution in
1917, China
revokes
privileges
granted to
Russia in 1896.

forces in the railway area were disarmed and replaced by Chinese soldiers. The extra-territorial status of Russians was abolished. The courts were forcibly entered and closed. Russians were made amenable to Chinese law, justice and taxation. They could be arrested by the Chinese police and held by them indefinitely, as the police had large powers and were insufficiently controlled.

In 1922, the railway area which so far had been under the administration of the Company was transformed into a Special District of the Three Eastern Provinces under a Chief Administrator directly responsible to Mukden. The administration of the lands belonging to the railway was also interfered with. Marshal Chang Tso-lin had practically liquidated the Russian sphere before Russia's new Government had been recognised, and private interests had suffered heavily in the process. When the Soviet Government succeeded to the Manchurian inheritance of its predecessor, the railway had been shorn of most of its privileges.

The declarations of policy made in 1919 and 1920 by the Soviet Government with regard to China implied a complete relinquishment of the special rights which the Imperial Government had acquired in China, notably those acquired in North Manchuria.

In accordance with this policy, the Soviet Government agreed to the regularisation of the *fait accompli* by a new agreement. By the Sino-Russian Agreement of May 31st, 1924, the Chinese Eastern Railway became a purely commercial concern under joint management, in which China also acquired a financial interest. The Government of the U.S.S.R. had, however, the right of appointing the General Manager (who exercises extensive and ill-defined powers) and, under the Agreement, the Government of the U.S.S.R. exercised a preponderant influence in the affairs of the railway and was able to retain the essential parts of its economic interests in North Manchuria. As mentioned above, the Agreement of May 1924, concluded with the Chinese Government at Peking, was not accepted by Marshal Chang Tso-lin, who insisted on a separate Agreement being concluded with himself. This Agreement, signed in September 1924, was almost identical in its terms, but by it the lease of the railway was shortened from eighty to sixty years.

This Agreement did not inaugurate a period of friendly relations between the U.S.S.R. and the administration of Marshal Chang Tso-lin in Manchuria.

The convening of the conference which was to deal with the many questions left unsettled in the two Agreements of 1924 was postponed on various pretexts. On two occasions, in 1925 and 1926, the General Manager of the Chinese Eastern Railway refused to transport troops of the Marshal on the railway. The second incident led to the arrest of the General Manager and to an ultimatum from the U.S.S.R. (January 23rd, 1926). Nor were these isolated incidents. Nevertheless, the Chinese authorities persisted in a policy which was directed against Russian interests and which was resented both by the Government of the U.S.S.R. and by the White Russians.

After the adherence of Manchuria to the Nanking Government, nationalist spirit increased in strength, and the efforts of the U.S.S.R. to maintain predominating control over the railway were, more than ever before, resented. In May 1929, an attempt was made to liquidate the last remnants of the Russian sphere of interest. The attack started with a raid on the Soviet consulates at various places by the Chinese police, who made many arrests and claimed to have found evidence proving that a Communist revolution was being plotted by employees of the Soviet Government and of the Chinese Eastern Railway. In July, the telegraph and telephone systems of the railway were seized, and many important Soviet organisations and enterprises were forcibly closed down. Finally, the Soviet Manager of the railway was requested to hand over the management to a Chinese

Special
Administrative
Districts
joined.

Sino-Soviet
agreement.

Agreement
of 1924.

Chang Tso-lin's
aggressive
policy against
the interests
of the
U.S.S.R.

Final efforts
of China to
liquidate Soviet
influence in
Manchuria,
1929.

appointee. He refused to do so and was thereupon forbidden to carry on his duties. The Chinese authorities replaced freely members of the Soviet staff by their own nominees, many Soviet citizens were arrested, and some were deported. The Chinese justified the violent action taken on the ground that the Soviet Government had broken its pledge not to engage in propaganda directed against the political and social systems of China. The Soviet Government, in its note of May 30th, denied the charge.

In consequence of the forcible liquidation of the remaining Russian rights and interests, the Soviet Government decided to take action. After the exchange of several notes, it recalled from China its diplomatic and commercial representatives, and all its nominees to posts in the Chinese Eastern Railway, and severed all railway communications between its territory and China. China, likewise, broke off relations with the U.S.S.R. and withdrew all Chinese diplomatic officers from Soviet territory. Raids by Soviet troops across the Manchurian border began and developed into a military invasion in November 1929. After having suffered defeat and severe loss of prestige, the Manchurian authorities, to whom the Nanking Government entrusted the settlement of the dispute, were forced to accept the demands of the U.S.S.R. On December 22nd, 1929, a Protocol was signed at Khabarovsk whereby the *statu quo* was re-established. During the dispute, the Soviet Government had always taken the position, in answer to various memoranda from third-Power signatories to the Pact of Paris, that her action had been taken in legitimate self-defence and could in no way be interpreted as a breach of that agreement.

Before describing the interests of Japan in Manchuria, which are dealt with at length in the next chapter, a brief reference must be made, in this account of the position of Russia in Manchuria, to the relations between that country and Japan since 1905.

It is an interesting fact that the war between Russia and Japan was followed almost immediately by a policy of close co-operation, and when peace was concluded they were able to strike a satisfactory balance between their respective spheres of interest in North and South Manchuria. Such traces of the conflict as might have remained behind were rapidly effaced by controversies with other Powers which wanted to engage actively in the development of Manchuria. The fear of other rivals hastened the process which was reconciling the two countries. The Treaties of 1907, 1910, 1912 and 1916 brought the two countries progressively closer together.

The Russian Revolution of 1917, followed by the declarations of the Soviet Government of July 25th, 1919, and of October 27th, 1920, regarding its policy towards the Chinese people and, later, by the Sino-Soviet Agreements of May 31st, 1924, and September 20th, 1924, shattered the basis of Russo-Japanese understanding and co-operation in Manchuria. This fundamental reversal of policy radically changed the relations of the three Powers in the Far East. Moreover, the Allied intervention (1918-1920), with its aftermath of friction between the Japanese and Soviet forces in Siberia (1920-1922), had accentuated the change in the relations between Japan and Russia. The attitude of the Soviet Government gave a strong impetus to China's nationalistic aspirations. As the Soviet Government and the Third International had adopted a policy opposed to all imperialist Powers which maintained relations with China on the basis of the existing treaties, it seemed probable that they would support China in the struggle for the recovery of sovereign rights. This development revived all the old anxieties and suspicions of Japan towards her Russian neighbour. This country, with which she had once been at war, had, during the years which followed that war, become a friend and ally. Now this relationship was changed, and the possibility of a danger from across the North-Manchurian border again became a matter of concern to Japan. The likelihood of an alliance between the Communist doctrines in the

North and the anti-Japanese propaganda of the Kuomintang in the South made the desire to impose between the two a Manchuria which should be free from both increasingly felt in Japan. Japanese misgivings have been still further increased in the last few years by the predominant influence acquired by the U.S.S.R. in Outer Mongolia and the growth of Communism in China.

The Convention concluded between Japan and the U.S.S.R. in January 1925 served to establish regular relations, but did not revive the close co-operation of the pre-revolution period.

Chapter III.

MANCHURIAN ISSUES BETWEEN JAPAN AND CHINA.

(Before September 18th, 1931)

1. JAPAN'S INTEREST IN CHINA.

During the quarter of a century before September 1931, the ties which bound Manchuria to the rest of China were growing stronger and, at the same time, the interests of Japan in Manchuria were increasing. Manchuria was admittedly a part of China, but it was a part in which Japan had acquired or claimed such exceptional rights, so restricting the exercise of China's sovereign rights, that a conflict between the two countries was a natural result.

By the Treaty of Peking of December 1905, China gave her consent to the transfer to Japan of the Kwantung Leased Territory, which was formerly leased to Russia, and of the southern branch of the Russian-controlled Chinese Eastern Railway as far north as Changchun. In an additional agreement, China granted to Japan a concession to improve the military railway line between Antung and Mukden and to operate it for fifteen years.

In August 1906, the South Manchuria Railway Company was organised by Imperial Decree to take over and administer the former Russian Railway, as well as the Antung-Mukden Railway. The Japanese Government acquired control of the company by taking half of the shares in exchange for the railway, its properties, and the valuable coal-mines at Fushun and Yentai. The company was entrusted, in the railway area, with the functions of administration and was allowed to levy taxes; it was also authorised to engage in mining, electrical enterprises, warehousing, and many other branches of business.

In 1910, Japan annexed Korea. This annexation indirectly increased Japanese rights in Manchuria, since Korean settlers became Japanese subjects over whom Japanese officials exercised jurisdiction.

In 1915, as a result of the group of exceptional demands made by the Japanese and generally known as the "Twenty-one Demands", Japan and China signed a Treaty and exchanged Notes on May 25th regarding South Manchuria and Eastern Inner Mongolia. By those agreements, the lease of the Kwantung Territory, including Port Arthur and Dalny (now Dairen), which was originally for a period of twenty-five years, and the concessions for the South Manchuria and the Antung-Mukden Railways, were all extended to ninety-nine years. Furthermore, Japanese subjects in South Manchuria acquired the right to travel and reside, to engage in business of any kind, and to lease land necessary for trade, industry and agriculture. Japan also obtained rights of priority for railway and certain other loans in

Japan's Treaty Rights of 1905.

South Manchuria Railway Company was organised in August 1906.

Annexation of Korea.

The Treaty and Notes of 1915.

Action of the U.S.S.R.

Protocol of Khabarovsk, December 22nd, 1929.

Russo-Japanese relations regarding Manchuria since 1905. Policy of co-operation, 1907-1917.

Effect of the Russian Revolution on Japan.

South Manchuria and Eastern Inner Mongolia, and preferential rights regarding the appointment of advisers in South Manchuria. At the Washington Conference, 1921-22, however, Japan relinquished her rights regarding the loans and the advisers.

These treaties and other agreements gave to Japan an important and unusual position in Manchuria. She governed the leased territory with practically full rights of sovereignty. Through the South Manchuria Railway, she administered the railway areas, including several towns and large sections of such populous cities as Mukden and Changchun; and in these areas she controlled the police, taxation, education and public utilities. She maintained armed forces in many parts of the country: the Kwantung Army in the Leased Territory, Railway Guards in the railway areas, and Consular Police throughout the various districts.

This summary of the long list of Japan's rights in Manchuria shows clearly the exceptional character of the political, economic and legal relations created between that country and China in Manchuria. There is probably nowhere in the world an exact parallel to this situation, no example of a country enjoying in the territory of a neighbouring State such extensive economic and administrative privileges. A situation of this kind could possibly be maintained without leading to incessant complications and disputes if it were freely desired or accepted on both sides, and if it were the sign and embodiment of a well-considered policy of close collaboration in the economic and in the political sphere. But, in the absence of those conditions, it could only lead to friction and conflict.

II. CONFLICT BETWEEN THE FUNDAMENTAL INTERESTS OF JAPAN AND CHINA IN MANCHURIA.

The Chinese people regard Manchuria as an integral part of China and deeply resent any attempt to separate it from the rest of their country. Hitherto, these Three Eastern Provinces have always been considered both by China and by foreign Powers as a part of China, and the *de jure* authority of the Chinese Government there has been unquestioned. This is evidenced in many Sino-Japanese treaties and agreements, as well as in other international conventions, and has been reiterated in numerous statements issued officially by Foreign Offices, including that of Japan.

The Chinese regard Manchuria as their "first line of defence". As Chinese territory, it is looked upon as a sort of buffer against the adjoining territories of Japan and Russia, a region which constitutes an outpost against the penetration of Japanese and Russian influences from those regions into the other parts of China. The facility with which China, south of the Great Wall, including the city of Peiping, can be invaded from Manchuria has been demonstrated to the Chinese from historical experience. This fear of foreign invasion from the north-east has been increased in recent years by the development of railway communication, and has been intensified during the events of the past year.

Manchuria is also regarded by the Chinese as important to them for economic reasons. For decades they have called it the "granary of China", and more recently have regarded it as a region which furnishes seasonal employment to Chinese farmers and labourers from neighbouring Chinese provinces.

Whether China as a whole can be said to be over-populated may be open to question, but that certain regions and provinces — as, for example, Shantung — are now peopled in such numbers as to require emigration is generally accepted by the most competent authorities on this subject¹. The Chinese, therefore, regard Manchuria as a frontier region, capable

¹ See also special study No. 3, annexed to this Report.

of affording relief for the present and future population problems of other parts of China. They deny the statement that the Japanese are principally responsible for the economic development of Manchuria, and point to their own colonisation enterprises, especially since 1925, to their railway development, and other enterprises, in refutation of these claims.

Japanese interests in Manchuria differ both in character and degree from those of any other foreign country. Deep in the mind of every Japanese is the memory of their country's great struggle with Russia in 1904-05, fought on the plains of Manchuria, at Mukden and Liaoyang, along the line of the South Manchuria Railway, at the Yalu River, and in the Liaotung Peninsula. To the Japanese the war with Russia will ever be remembered as a life-and-death struggle fought in self-defence against the menace of Russian encroachments. The facts that a hundred thousand Japanese soldiers died in this war and that two billion gold yen were expended have created in Japanese minds a determination that these sacrifices shall not have been made in vain.

Japanese interest in Manchuria, however, began ten years before that war. The war with China, in 1894-95, principally over Korea, was largely fought at Port Arthur and on the plains of Manchuria; and the Treaty of Peace signed at Shimonoeki ceded to Japan in full sovereignty the Liaotung Peninsula. To the Japanese, the fact that Russia, France and Germany forced them to renounce this cession does not affect their conviction that Japan obtained this part of Manchuria as the result of a successful war and thereby acquired a moral right to it which still exists.

Manchuria has been frequently referred to as the "life-line" of Japan. Manchuria adjoins Korea, now Japanese territory. The vision of a China, unified, strong and hostile, a nation of four hundred millions, dominant in Manchuria and in Eastern Asia, is disturbing to many Japanese. But to the greater number, when they speak of menace to their national existence and of the necessity for self-defence, they have in mind Russia rather than China. Fundamental, therefore, among the interests of Japan in Manchuria is the strategic importance of this territory.

There are those in Japan who think that she should entrench herself firmly in Manchuria against the possibility of attack from the U.S.S.R. They have an ever-present anxiety lest Korean malcontents in league with Russian Communists in the nearby Maritime Province might in future invite, or co-operate with, some new military advance from the North. They regard Manchuria as a buffer region against both the U.S.S.R. and the rest of China. Especially in the minds of Japanese military men, the right claimed, under agreements with Russia and China, to station a few thousand railway guards along the South Manchuria Railway is small recompense for the enormous sacrifices of their country in the Russo-Japanese War, and a meagre security against the possibility of attack from that direction.

Patriotic sentiment, the paramount need for military defence, and the exceptional treaty rights all combine to create the claim to a "special position" in Manchuria. The Japanese conception of this "special position" is not limited to what is legally defined in treaties and agreements either with China or with other States. Feelings and historical association, which are the heritage of the Russo-Japanese War, and pride in the achievements of Japanese enterprise in Manchuria for the last quarter-century, are an indefinable but real part of the Japanese claim to a "special position". It is only natural, therefore, that the Japanese use of this expression in diplomatic language should be obscure, and that other States should have found it difficult, if not impossible, to recognise it by international instruments.

The Japanese Government, since the Russo-Japanese War, has at various times sought to obtain from Russia, France, the United Kingdom

Japanese interests in Manchuria: sentiment resulting from the Russo-Japanese War.

Japan's strategic interest in Manchuria.

Japan's "special position" in Manchuria.

and the United States of America recognition of their country's "special position", "special influence and interest", or "paramount interest" in Manchuria. These efforts have only met with partial success, and, where recognition of such claims has been accorded, in more or less definite terms, the international agreements or understandings containing them have largely disappeared with the passage of time, either by formal abrogation or otherwise — as, for example: the Russo-Japanese secret Conventions of 1907, 1910, 1912 and 1916, made with the former Tsarist Government of Russia; the Anglo-Japanese Conventions of Alliance, Guarantee and Declaration of Policies; and the Lansing-Ishii Exchange of Notes of 1917. The signatories of the Nine-Power Treaty of the Washington Conference of February 6th, 1922¹, by agreeing "to respect the sovereignty, the independence, and the territorial and administrative integrity" of China, to maintain "equality of opportunity in China for the trade and industry of all nations", by refraining from taking advantage of conditions in China "in order to seek special rights or privileges" there, and by providing "the fullest and most unembarrassed opportunity to China to develop and maintain for herself an effective and stable government", challenged to a large extent the claims of any signatory State to a "special position" or to "special rights and interests" in any part of China, including Manchuria.

But the provisions of the Nine-Power Treaty and the abandonment, by abrogation or otherwise, of such agreements as those mentioned above have led to no change in the attitude of the Japanese. Viscount Ishii doubtless well expressed the general view of his countrymen in his recent *Memoirs* (Gaiko Yoroku), when he said:

"Even if the Lansing-Ishii agreement is abolished, Japan's special interests unshakenly exist there. The special interests which Japan possesses in China neither were created by an international agreement, nor can they become the objects of abolition."

This Japanese claim with respect to Manchuria conflicts with the sovereign rights of China and is irreconcilable with the aspirations of the National Government, which seeks to curtail existing exceptional rights and privileges of foreign States throughout China and to prevent their further extension in the future. The development of this conflict will be clearer from a consideration of the respective policies pursued by Japan and China in Manchuria.

Until the events of September 1931, the various Japanese Cabinets, since 1905, appeared to have the same general aims in Manchuria, but they differed as to the policies best suited to achieve these aims. They also differed somewhat as to the extent of the responsibility which Japan should assume for the maintenance of peace and order.

The general aims for which they worked in Manchuria were to maintain and develop Japan's vested interests, to foster the expansion of Japanese enterprise, and to obtain adequate protection for Japanese lives and property. In the policies adopted for realising these aims there was one cardinal feature which may be said to have been common to them all. This feature has been the tendency to regard Manchuria and Eastern Inner Mongolia as distinct from the rest of China. It resulted naturally from the Japanese conception of their country's "special position" in Manchuria. Whatever differences may have been observable between the specific policies advocated by the various Cabinets in Japan — as, for example, between the so-called "friendship policy" of Baron Shidehara and the so-called "positive policy" of the late General Baron Tanaka — they have always had this feature in common.

¹ The nine Powers were: the United States of America, Belgium, the British Empire, China, France, Italy, Japan, the Netherlands, Portugal.

Japan's claims to a "special position" in Manchuria in conflict with China's sovereign rights and policies.

Japan's general policy towards Manchuria.

The "friendship policy" developed from about the time of the Washington Conference and was maintained until April 1927; it was then supplanted by the "positive policy", which was followed until July 1929; finally, the "friendship policy" was again adopted and continued the official policy of the Foreign Office until September 1931. In the spirit which actuated the two policies there was a marked difference: the "friendship policy" rested, in Baron Shidehara's words, "on the basis of good will and neighbourliness"; the "positive policy" rested upon military force. But, in regard to the concrete measures which should be adopted in Manchuria, these two policies differed largely on the question as to the lengths to which Japan should go to maintain peace and order in Manchuria and to protect Japanese interests.

The "positive policy" of the Tanaka Ministry placed greater emphasis upon the necessity for regarding Manchuria as distinct from the rest of China; its positive character was made clear by the frank declaration that, "if disturbances spread to Manchuria and Mongolia, and, as a result, peace and order are disrupted, thereby menacing our special position and rights and interests in these regions", Japan would "defend them, no matter whence the menace comes". The Tanaka policy definitely asserted that Japan would take upon herself the task of preserving "peace and order" in Manchuria — in contrast to previous policies which limited their objectives to protecting Japanese interests there.

The Japanese Government has generally pursued a firmer policy in Manchuria than elsewhere in China, in order to preserve and develop those vested interests which are peculiar to that region. Certain of the Cabinets have tended to place great reliance on the use of interventionist methods, accompanied by a threat of force. This was true especially at the time of the presentation of the "Twenty-one Demands" on China in 1915, but as to the wisdom of the "Twenty-one Demands", as well as to other methods of intervention and force, there has always been a marked difference of opinion in Japan.

The Washington Conference, although it had a marked effect upon the situation in the rest of China, made little actual change in Manchuria. The Nine-Power Treaty of February 6th, 1922, in spite of its provisions with respect to the integrity of China and the policy of the "Open Door", has had but qualified application to Manchuria in view of the character and extent of Japan's vested interests there, although textually the Treaty is applicable to that region. The Nine-Power Treaty did not materially diminish the claims based on these vested interests, although, as already stated, Japan formally relinquished her special rights regarding loans and advisers which had been granted in the Treaty of 1915.

During the period from the Washington Conference until the death of Marshal Chang Tso-lin in 1928, the policy of Japan in Manchuria was chiefly concerned with its relations with the *de facto* ruler of the Three Eastern Provinces. Japan gave him a measure of support, notably during the Kuo Sung-lin mutiny mentioned in the last chapter. Marshal Chang Tso-lin, in return, although opposed to many of the Japanese demands, felt it necessary to give due recognition to Japan's desires, since these might at any time be enforced by superior military power. He also wished to be able, upon occasion, to obtain Japanese support against Russian opposition in the North. Upon the whole, Japanese relations with Marshal Chang Tso-lin were reasonably satisfactory from her point of view, although they became increasingly disturbed towards the end of his life in consequence of his failure to fulfil some of his alleged promises and agreements. Some evidence even of a revulsion of Japanese feeling against him became apparent in the months preceding his defeat and final retreat to Mukden in June 1928.

In the spring of 1928, when the Nationalist armies of China were marching on Peking in an effort to drive out the forces of Chang Tso-lin,

The effect of the Washington Conference upon Japan's position and policy in Manchuria.

Japan's relations with Chang Tso-lin.

Japan's claim to maintain

peace and
order in
Manchuria.

the Japanese Government, under the premiership of Baron Tanaka, issued a declaration that, on account of her "special position" in Manchuria, Japan would maintain peace and order in that region. When it seemed possible that the Nationalist armies might carry the civil war north of the Great Wall, the Japanese Government, on May 28th, sent to the leading Chinese generals a communication which said :

"The Japanese Government attaches the utmost importance to the maintenance of peace and order in Manchuria, and is prepared to do all it can to prevent the occurrence of any such state of affairs as may disturb that peace and order, or constitute the probable cause of such a disturbance.

"In these circumstances, should disturbances develop further in the direction of Peking and Tientsin, and the situation become so menacing as to threaten the peace and order of Manchuria, Japan may possibly be constrained to take appropriate effective steps for the maintenance of peace and order in Manchuria."

At the same time, Baron Tanaka issued a more definite statement, that the Japanese Government would prevent "defeated troops or those in pursuit of them" from entering Manchuria.

The announcement of this far-reaching policy brought protests from both the Peking and the Nanking Governments, the Nanking note stating that such measures as Japan proposed would be not only "an interference with Chinese domestic affairs, but also a flagrant violation of the principle of mutual respect for territorial sovereignty".

In Japan itself, this "positive policy" of the Tanaka Government, while it received strong support from one party, was vigorously criticised by another, especially by the Shidehara group, on the ground that the preservation of peace and order over all Manchuria was not the responsibility of Japan.

Strained
relations
between Japan
and Chang
Hsueh-liang.

Japan's relations with Marshal Chang Hsueh-liang, who succeeded his father in 1928, were increasingly strained from the outset. Japan wished Manchuria to remain separate from the newly established National Government at Nanking, while Marshal Chang Hsueh-liang was in favour of recognising the authority of that Government. Reference has already been made to the urgent advice given by Japanese officials that allegiance should not be pledged to the Central Government. When, however, the Mukden Government raised the Nationalist flag over Government buildings in Mukden in December 1928, the Japanese Government made no attempt to interfere.

Japanese relations with Marshal Chang Hsueh-liang continued to be strained and acute friction developed in the months immediately preceding September 1931.

III. SINO-JAPANESE RAILWAY ISSUES IN MANCHURIA.

Manchurian
international
politics largely
railway
politics.

The international politics of Manchuria for a quarter of a century have been largely railway politics. Considerations of a purely economic and railway-operating character have been overshadowed by the dictates of State policies, with the result that Manchurian railways cannot be said to have contributed their maximum to the economic development of the region. Our study of Manchurian railway questions has revealed that in Manchuria there has been little or no co-operation between the Chinese and Japanese railway builders and authorities directed to achieving a comprehensive and mutually beneficial railway plan. In contrast with railway development in such regions as Western Canada and Argentina, where economic considerations have in large measure determined railway expansion, railway development in Manchuria has been largely a matter

of rivalry between China and Japan. No railway of any importance has ever been constructed in Manchuria without causing an interchange of notes between China and Japan or other interested foreign States.

Manchurian railway construction began with the Russian-financed-and-directed Chinese Eastern Railway which, after the Russo-Japanese War, was replaced in the South by a Japanese-controlled system, the South Manchuria Railway, thus making inevitable future rivalry between China and Japan. The South Manchuria Railway Company, although nominally a private corporation, is, in fact, a Japanese Government enterprise. Its functions include, not only the management of its railway lines, but also exceptional rights of political administration. From the time of its incorporation, the Japanese have never regarded it as a purely economic enterprise. The late Viscount Goto, first President of the Company, laid down a fundamental principle that the South Manchuria Railway should serve Japan's "special mission" in Manchuria.

The South
Manchuria
Railway served
Japan's
"Special
Mission" in
Manchuria.

The South Manchuria Railway system has developed into an efficient and well-managed railway enterprise and has contributed much to the economic development of Manchuria, serving at the same time as an example for the Chinese in its numerous services of a non-railway character, such as its schools, laboratories, libraries and agricultural experiment stations. But this has been accompanied by limitations and positive hindrances arising out of the political character of the Company, its connection with party politics in Japan, and certain large expenditures from which no commensurate financial returns can have been expected. Since its formation, the policy of the Railway Company has been to finance the construction of only such Chinese lines as would be connected with its own system; thus, by means of through-traffic agreements, to divert the major part of the freight to the South Manchuria Railway for seaboard export at Dairen in the Japanese leased territory. Very large sums have been expended in financing these lines and it is doubtful if their construction, in certain cases, was justified on purely economic grounds, especially in view of the large capital advances made and the loan considerations involved.

The very existence of such a foreign-controlled institution as the South Manchuria Railway on Chinese soil was naturally looked upon with disfavour by the Chinese authorities, and questions concerning its rights and privileges under treaties and agreements have constantly arisen since the Russo-Japanese War. More particularly, after 1924, when the Chinese authorities in Manchuria, having come to recognise the importance of railway development, sought to develop their own railways independent of Japanese capital, did these problems become more critical. Both economic and strategic considerations were involved. The Tahushan-Tungliao line, for example, was projected to develop new territory and to increase the revenues of the Peking-Mukden Railway, while, on the other hand, the Kuo Sung-lin mutiny in December 1925 demonstrated the possible strategic and political value of independently owned and operated Chinese lines. The Chinese attempt to overcome the Japanese monopoly, and to place obstacles in the way of its future development, anteceded the period of political influence of the Nationalist Government in Manchuria, the Tahushan-Tungliao, Mukden-Hailungcheng and Hulan-Hailun Railways, for example, having been constructed while Marshal Chang Tso-lin was in power. The policy of Marshal Chang Hsueh-liang, after his assumption of authority in 1928, re-enforced by the widespread movement for "rights recovery" sponsored by the Central Government and the Kuomintang, came into collision with Japan's monopolistic and expansionist policies, centred, as they were, around the South Manchuria Railway Company.

Chinese efforts
to build their
own railways
anteceded
Manchuria's
declaration of
allegiance to
Nanking.

In the Japanese justification of their resort to forceful means in Manchuria, on and after September 18th, 1931, they have alleged violation of Japan's "treaty rights" and have emphasised China's failure to carry out an

The conflict
over "parallel
lines".

engagement made by the Chinese Government during the Sino-Japanese Conference held at Peking in November-December 1905, which was to the following effect :

“ The Chinese Government engages, for the purpose of protecting the interests of the South Manchuria Railway, not to construct, prior to the recovery by it of the said railway, any main line in the neighbourhood of and parallel to that railway, or any branch line which might be prejudicial to the interests of the above-mentioned railway.”

This dispute over the question of so-called “parallel railways” in Manchuria is of long-standing importance. The issue first arose in 1907-08, when the Japanese Government, asserting this claim of right, prevented the Chinese from constructing, under contract with a British firm, the Hsinmintun-Fakumen Railway. Since 1924, when the Chinese in Manchuria undertook with renewed vigour to develop their own railways independent of Japanese financial interest, the Japanese Government has protested against the construction by the Chinese of the Tahushan-Tungliao and the Kirin-Hailungcheng lines, although both these lines were completed and opened to traffic in spite of Japanese protests.

Prior to the arrival of the Commission in the Far East, there had been much doubt as to the actual existence of any such engagement as was claimed by Japan. In view of the longstanding importance of this dispute, the Commission took special pains to obtain information on the essential facts. In Tokyo, Nanking and Peiping, all the relevant documents were examined, and we are now able to state that the alleged engagement of the Chinese plenipotentiaries of the Peking Conference of November-December 1905 regarding so-called “parallel railways” is not contained in any formal treaty ; that the alleged engagement in question is to be found in the minutes of the eleventh day of the Peking Conference, December 4th, 1905. We have obtained agreement from the Japanese and Chinese Assessors that no other document containing such alleged engagement exists beyond this entry in the minutes of the Peking Conference.

The real question at issue, therefore, is not whether there exists a “treaty right” whereby Japan is entitled to claim that certain railways in Manchuria have been constructed by the Chinese in violation of such an engagement, but whether this entry in the minutes of the Peking Conference of 1905, whether called a “protocol” or not, is a binding commitment on the part of China, having the force of a formal agreement and without limitations as to the period of circumstances of its application.

The determination of the question whether this entry into the minutes of the Peking Conference constituted, from an international legal point of view, a binding agreement, and whether, if so, there is but one interpretation which may reasonably be placed upon it, was properly a matter for judgment by an impartial judicial tribunal.

The Chinese and Japanese official translations of this entry into the minutes of the Conference leave no doubt that the disputed passage concerning “parallel railways” is a declaration or statement of intention on the part of the Chinese plenipotentiaries.

That there was a statement of intention has not been disputed by the Chinese, but there has, throughout the controversy, been a difference of opinion between the two parties as to the nature of the intention expressed. Japan has claimed that the words employed preclude China from building or allowing to be built any railway which, in the opinion of the South Manchuria Railway Company, was in competition with its system. The Chinese, on the other hand, contend that the only commitment involved in the disputed passage was a statement of intention not to build lines with the deliberate object of unduly impairing the commercial usefulness and value of the South Manchuria Railway. During the exchange of notes of 1907

The question as to the existence of a “treaty right” or a “secret protocol”.

The real question at issue.

concerning the Hsinmintun-Fakumen-Railway project, Prince Ching, representing the Chinese Government, stated to Baron Hayashi, the Japanese Minister, in a communication dated April 7th, 1907, that the Japanese plenipotentiaries in the Peking Conference, while refusing to agree to a definition of the term “parallel line” in terms of specific mileage from the South Manchuria Railway, declared that Japan “would do nothing to prevent China from any steps she might take in the future for the development of Manchuria”. It would seem, therefore, that the Chinese Government during this period admitted in practice that there was, on their part, an obligation not to construct railways patently and unreasonably prejudicial to the interests of the South Manchuria Railway, though they have always denied that Japan had any valid claim to a right to monopolise railway construction in Southern Manchuria.

There has never been a definition as to what would constitute a parallel railway, although the Chinese desired one. When the Japanese Government opposed the construction of the Hsinmintun-Fakumen Railway in 1906-1908, the impression was created that Japan considered a “parallel” railway one within approximately thirty-five miles of the South Manchuria Railway, but, in 1926, the Japanese Government protested against the construction of the Tahushan-Tungliao Railway as a “competitive parallel line”, noting that the distance between the proposed railway and the South Manchuria Railway would be “no more than seventy miles on the average”. It would be difficult to make a thoroughly satisfactory definition.

From a railway-operating point of view, a “parallel” line can be considered a “competing line”: one which deprives another railway of some part of the traffic which naturally would have gravitated to it. Competitive traffic includes both local and through traffic and, especially when the latter is considered, it is not difficult to see how a stipulation against the construction of “parallel” lines is capable of very broad interpretation. Nor is there any agreement between China and Japan as to what constitutes a “main line” or a “branch line”. These terms, from a railway-operating point of view, are subject to change. The Peiping-Mukden Railway line from Tahushan extending north was originally considered by that administration as a “branch line”, but, after the line had been completed from Tahushan to Tungliao, it was possible to regard this as a “main line”.

It was only natural that the interpretation of the undertaking in regard to parallel railways should lead to bitter controversy between China and Japan. The Chinese attempted to build their own railways in South Manchuria, but in almost every case met with a protest from Japan.

A second group of railway issues which increased the tension between China and Japan before the events of September last were those which arose from the agreement under which the Japanese advanced money for the construction of various Chinese Government Railways in Manchuria. Japanese capital to the present value, including arrears and interests, of 150,000,000 yen had been expended in the building of the following Chinese lines: the Kirin-Changchun, the Kirin-Tunhua, the Ssuninghai-Taonan, and the Taonan-Angangchi Railways, and certain narrow-gauge lines.

The Japanese complained that the Chinese would not pay these loans, nor make adequate provision for them, nor carry out various stipulations in the agreements, such as those respecting the appointment of Japanese railway advisers. They made repeated demands that the Chinese should fulfil the alleged promises made by their Government that Japanese interests should be permitted to participate in the construction of the Kirin-Kwainei Railway. This projected line would extend the Kirin-Tunhua Railway to the Korean border, and would make available for Japan a new short sea-and-rail route from her seaports to the centre of Manchuria, and, in conjunction with the other railways, shorten the communications with the interior.

Difficulties in interpretation of a clause phrased so broadly and non-technically

Issues caused by Japanese loans for construction of Chinese railways in Manchuria.

The Chinese defence.

In defence of the failure to repay their loans, the Chinese pointed out that these were not normal financial transactions. They claimed that the loans were made largely by the South Manchuria Railway in order to monopolise railway construction in South Manchuria; that the object was primarily strategic and political; and that, in any case, the new lines had been so heavily over-capitalised that they were, at least for the time being, financially unable to earn the necessary money to repay the construction expenses and loans. They contended that in each instance of alleged failure to fulfil obligations, an impartial examination would show adequate justification for their conduct. As for the Kirin-Kwainei Railway, they denied the moral, and even the legal, validity of the alleged agreements.

The South Manchuria Railway desired a system of branch lines.

There were certain conditions which existed in connection with those railway agreements which made it natural for the loan controversy to arise. The South Manchuria Railway had practically no branches and wished to develop a system of feeder lines in order to increase its freight and passenger traffic. The Company was therefore willing to advance money for the building of such new lines, even though there was little likelihood that the loans would be repaid in the near future; it was also willing to continue to make further advances when earlier loans were still outstanding.

In these circumstances, and so long as the newly constructed Chinese lines functioned as feeders to the South Manchuria system and were operated in some measure under its influence, the South Manchuria Railway Company appeared to make no special effort to force payment of the loans, and the Chinese lines operated with ever-increasing debt obligations. But when certain of these lines were connected with a new Chinese railway system, and in 1930-31 started a serious competition with the South Manchuria Railway, the non-payment of the loans at once became a subject of complaint.

The Nishihara loans.

Another complicating factor, in the case of certain of these loan agreements, was their political character. It was as a result of the "Twenty-one Demands" that the Kirin-Changchun Railway was placed under the direction of the South Manchuria Railway Company, and the outstanding indebtedness of the line converted into a long-term loan, maturing in 1947. The advance of 20,000,000 yen made in 1918 in consequence of the so-called "Four Manchuria-Mongolia Railways Agreement" was one of the so-called "Nishihara loans", made to the military Government of the "Anfu clique", without any restriction as to the purpose for which it might be used. Similarly, it was from a Nishihara loan that an advance was made of 10,000,000 yen to this clique in connection with the preliminary loan contract agreement of 1918 for the construction of the Kirin-Kwainei Railway. Chinese national sentiment has been greatly aroused over the subject of the "Nishihara loans" ever since their negotiation; but, in spite of this, the Chinese Government has never repudiated them. In these circumstances, the Chinese felt little moral obligation to fulfil the conditions of the loan contracts.

The Kirin-Kwainei Railway project.

Especially important in Sino-Japanese relations were the issues over the Kirin-Kwainei Railway project. The first act of issues related to the section of the line from Kirin to Tunhua, the construction of which was completed in 1928. From that time on, the Japanese complained because the Chinese would not convert the Japanese advances for construction purposes into a formal loan secured by the earnings of the railway, and maintained that the Chinese were violating the contract by their refusal to appoint a Japanese accountant for the line.

The Chinese in turn claimed that the construction costs submitted were not only much higher than the estimates of the Japanese engineers, but were greatly in excess of the amount for which vouchers were presented. They refused to take over the line formally until the construction costs should be settled; and contended that, until they should do so, they were under no obligation to appoint a Japanese accountant.

These issues, definite and technical, involving no problems of principle or policy, were obviously suited for arbitration or judicial discrimination, but they remained unsettled and served to intensify the mutual resentment of Chinese and Japanese.

Of much greater importance, and far more complicated, was the issue over the construction of the railway from Tunhua to Kwainei. This section would complete the railway from Changchun to the Korean border, where it would connect with a Japanese railway running to a nearby Korean port. Such a line, giving direct entrance to Central Manchuria and opening a region rich in timber and mineral resources, would be of economic value as well as of great strategic importance to Japan.

The Japanese were insistent that this line should be built and that they should participate in its financing. They claimed that China had given treaty assurances to this effect. The Chinese Government had promised, they pointed out, in the Chientao Agreement of September 4th, 1909, to build the line "upon consultation with the Government of Japan", the promise being given in part as a consideration for Japan's relinquishing the old claims of Korea to the Chientao region in Manchuria. Later, in 1918, the Chinese Government and the Japanese banks signed a preliminary agreement for a loan for the construction of this line and, in accordance with the agreement, the banks advanced to the Chinese Government the sum of 10,000,000 yen. This, however, was one of the Nishihara loans, a fact which, in the view of the Chinese, affected the validity of the engagement.

Neither of them, however, was a definitive loan contract agreement, obliging China, without condition and before a specific date, to permit Japanese financiers to participate in the construction of such a line.

It was alleged that formal, definitive contracts for the construction of this line were signed in Peking in May 1928, but there was much uncertainty regarding their validity. Such contracts were doubtless signed, under very irregular circumstances, on May 13th-15th by a representative of the Ministry of Communications of the Government at Peking, then under Marshal Chang Tso-lin. But the Chinese contend that the Marshal, who was then hard-pressed by the Nationalist Armies and was about to evacuate Peking, gave his consent that this official should sign, under "a duress of compulsion", due to threats of the Japanese that, if he should not sanction the contracts, his retreat to Mukden would be endangered. Whether Marshal Chang Tso-lin himself also signed the contracts has been a matter of dispute. After the death of the Marshal, the North-Eastern Political Council at Mukden and Marshal Chang Hsueh-liang both refused to approve the contracts on the ground that they were faulty in form and negotiated under duress and had never been ratified by the Peking Cabinet or the North-Eastern Political Council.

The underlying reason for the opposition of the Chinese to the construction of the Tunhua-Kwainei line was their fear of Japan's military and strategic purposes and their belief that their sovereign rights and interests would be threatened by this new Japanese approach to Manchuria from the Japan Sea.

This particular railway issue was not primarily a financial or commercial problem, but involved a conflict between the State policies of Japan and China.

There were additional issues over through-traffic arrangements between the Chinese and Japanese lines, rate questions and rivalries between the seaport of Dairen and such Chinese ports as Yingkow (Newchwang).

By September 1931, the Chinese had built unaided and were owning and operating railways with a total length of nearly a thousand kilometres, of which the most important were: the Mukden-Hailung, the Hailung-Kirin, the Tsitsihar-Koshan, the Hulan-Hailun and the Tahushan-Tungliao

The projected Tunhua-Kwainei line.

The contracts of May 1928.

Through-traffic controversies.

(a branch of the Peiping-Mukden system) lines ; and they owned the Peiping-Mukden Railway and the following Japanese-financed lines : the Kirin-Changchun, the Kirin-Tunhua, Ssuningkai-Taonan and Taonan-Angangchi lines. During the two years preceding the outbreak of the present conflict, the Chinese attempted to operate these various lines as a great Chinese railway system and made efforts to route all freight, if possible, exclusively over the Chinese-operated lines, with a seaboard exit at the Chinese port of Yingkow (Newchwang) — potentially at Hulutao. As a result, the Chinese made through-traffic arrangements for all ports of their railway system and refused in important sections to make similar traffic agreements between their lines and the South Manchuria system. The Japanese claimed that this discrimination deprived the South Manchuria Railway of much freight from North Manchuria which would normally pass over at least a part of its line and would find an outlet at Dairen.

A war of railway rates.

Associated with these through-traffic controversies, a bitter rate war sprang up between the Japanese and Chinese lines, which began in 1929-30, when the Chinese reduced their rates after the opening of the Tahushan-Tungliao and the Kirin-Hailung lines. The Chinese lines appeared to have a natural advantage at that time due to the fall in the value of the Chinese silver currency, which made the silver rates on these lines cheaper than the gold-yen rates on the South Manchuria Railway. The Japanese claimed that the Chinese rates were so low that they constituted unfair competition, but the Chinese replied that their aim was not primarily to make profits, as was the case with the South Manchuria, but to develop the country and to enable the rural population to reach the markets as cheaply as possible.

Allegations of national discrimination in favour of native-manufactured goods.

Incidental to this rivalry in rate-cutting, allegations were made by each side that the other indulged in rate discrimination or secret rebates in favour of its own nationals. The Japanese complained that the Chinese made railway classifications which enabled Chinese products to be carried over Chinese lines more cheaply than foreign goods, and that they gave lower rates than normal for native goods and for freight shipped over Chinese lines to a Chinese-controlled seaport. The Chinese, on their side, charged the South Manchuria Railway with granting secret rebates, pointing out particularly that a Japanese forwarding agency was quoting rates for freight consigned through them which were lower than the regular scheduled rates of the South Manchuria line.

These issues were highly technical and involved, and it was difficult to determine the justice of the charges which each side was making against the other. It is obvious that such questions as these should normally be settled by a Railroad Commission or by regular judicial determination¹.

Port controversies.

The railway policies of the Chinese authorities in Manchuria were focussed upon the new port development at Hulutao. Yingkow was to be the secondary port and, pending the completion of Hulutao, the principal one. Many new railways were projected which would serve practically all parts of Manchuria. The Japanese claimed that the through-traffic arrangements and the low rates put into effect by the Chinese deprived the port of Dairen of much cargo that would normally have moved to it and that this situation was particularly evident in 1930. They stated that the export freight carried to Dairen by the South Manchuria Railway fell off over a million metric tons in 1930, while the port of Yingkow actually showed an increase over the previous year. The Chinese, however, pointed out that the falling-off in freight at Dairen was due principally to the general depression and to the especially severe slump in soya beans, which constituted a large part of the freight normally carried over the South Manchuria line. They claimed also that the increase at Yingkow was the result of traffic from regions recently opened by the new Chinese railway lines.

¹ See special study No. 1, annexed to this Report.

The Japanese appeared to be especially concerned over the potential competition of the Chinese lines and the port of Hulutao, and complained that the purpose of the Chinese in planning to construct many new railways and in developing Hulutao Harbour was to make " the port of Dairen as well as the South Manchuria Railway itself as good as valueless ".

Viewing these many railroad issues as a whole, it is evident that a number of them were technical in character and were quite capable of settlement by ordinary arbitral or judicial process, but that others of them were due to intense rivalry between China and Japan which resulted from a deep-seated conflict in national policies.

Practically all these railway questions were still outstanding at the opening of the year 1931. Beginning in January and continuing sporadically into the summer, a final but futile effort was made by both Japan and China to hold a conference in order to reconcile their policies with respect to these outstanding railway questions. These Kimura-Kao negotiations, as they were called, achieved no result. There was evidence of sincerity on both sides when the negotiations began in January, but various delays occurred for which both Chinese and Japanese were responsible, with the result that the formal conference, for which extended preparations had been made, had not yet met when the present conflict started.

The Sino-Japanese railway negotiations of 1931.

IV. THE SINO-JAPANESE TREATY AND NOTES OF 1915 AND RELATED ISSUES.

With the exception of their railway controversies, the Sino-Japanese issues of greatest importance which were outstanding in September 1931 were those which arose from the Sino-Japanese Treaties and Notes of 1915, which in turn were a result of the so-called " Twenty-one Demands ". These issues mainly concerned South Manchuria and Eastern Inner Mongolia, since, with the exception of the question of the Hanyehping Mine (near Hankow), the other agreements negotiated in 1915 had either been replaced by new ones or had been voluntarily given up by Japan. The controversies in Manchuria were over the following provisions :

The Twenty-one Demands and the Treaty and Notes of 1915.

(1) The extension of the term of Japanese possession of the Kwantung Leased Territory to ninety-nine years (1997) ;

(2) The prolongation of the period of Japanese possession of the South Manchuria Railway and the Antung-Mukden Railway to ninety-nine years (2002 and 2007 respectively) ;

(3) The grant to Japanese subjects of the right to lease land in the interior of " South Manchuria " — i.e., outside those areas opened by treaty or otherwise to foreign residence and trade ;

(4) The grant to Japanese subjects of the right to travel, reside and conduct business in the interior of South Manchuria and to participate in joint Sino-Japanese agricultural enterprises in Eastern Inner Mongolia.

The legal right of the Japanese to enjoy these grants and concessions depended entirely upon the validity of the Treaty and Notes of 1915, and the Chinese continuously denied that these were binding upon them. No amount of technical explanation or argument could divest the minds of the Chinese people, officials or laymen, of their conviction that the term " Twenty-one Demands " was practically synonymous with the " Treaties and Notes of 1915 " and that China's aim should be to free herself from them. At the Paris Conference, 1919, China demanded their abrogation on the ground that they had been concluded " under coercion of a Japanese ultimatum threatening war ". At the Washington Conference, 1921-22, the Chinese delegation raised the question " as to the equity and justice of these agreements and therefore as to their fundamental validity ", and,

in March 1923, shortly before the expiration of the original twenty-five-year lease of the Liaotung (Kwantung) Territory which China granted in 1898 to Russia, the Chinese Government communicated to Japan a further request for the abrogation of the provisions of 1915, and stated that " the Treaties and Notes of 1915 have been consistently condemned by public opinion in China ". Since the Chinese maintained that the agreements of 1915 lacked " fundamental validity ", they declined to carry out the provisions relating to Manchuria except in so far as circumstances made it expedient to do so.

The Japanese complained bitterly of the consequent violations of their treaty rights by the Chinese. They contended that the Treaties and Notes of 1915 were duly signed and ratified and were in full force. To be sure, there was a considerable body of public opinion in Japan which from the first did not agree with the " Twenty-one Demands "; and, more recently, it has been common for Japanese speakers and publicists to criticise this policy. But the Japanese Government and people appeared unanimous in insisting upon the validity of those provisions which related to Manchuria.

Two important provisions in the Treaty and Notes of 1915 were those for the extension of the lease of the Kwantung Territory from twenty-five to ninety-nine years, and of the concessions of the South Manchuria and the Antung-Mukden Railways to a similar period of ninety-nine years. For the dual reasons that these extensions were a result of the 1915 agreements and that recovery of the territories originally leased by former Governments was included in the Nationalist " Rights Recovery " movement directed against foreign interests in China, the Kwantung Leased Territory and the South Manchuria Railway were made objects, at various times, of agitation and even diplomatic representation on the part of the Chinese. The policy of Marshal Chang Hsueh-liang of declaring Manchuria's allegiance to the Central Government and of permitting the spread of Kuomintang influence in Manchuria made these issues acute after 1928, although they remained in the background of practical politics.

Associated also with the Treaty and Notes of 1915 was the agitation for the recovery of the South Manchuria Railway, or for stripping that institution of its political character in order to reduce it to a purely economic enterprise. As the earliest date fixed for the recovery of this railway on repayment of the capital and interest outlay was 1939, the mere abrogation of the 1915 Treaties would not in itself have recovered the South Manchuria Railway for China. It was extremely doubtful whether China, in any case, would have been able to obtain the capital for this purpose. The occasional utterances of Chinese Nationalist spokesmen, urging recovery of the South Manchuria Railway, served as an irritant to the Japanese, whose legitimate rights and interests were thereby threatened.

The disagreement between the Japanese and Chinese as to the proper functions of the South Manchuria Railway continued from the time of the railway company's organisation in 1906. Technically, of course, the railway company is organised under Japanese law as a private joint-stock enterprise and is quite beyond the pale of Chinese jurisdiction in practice. Particularly since 1927, there had been an agitation among Chinese groups in Manchuria for divesting the South Manchuria Railway of its political and administrative functions and converting it into a " purely commercial enterprise ". No concrete plan for achieving this end seems to have been proposed by the Chinese. The railway company was in fact a political enterprise. It was a Japanese Government agency, the Government controlling a majority of its shares; its administrative policy was so closely controlled by the Government that the company's higher officials were almost invariably changed when a new Cabinet came into power in Japan. Moreover, the company had always been charged, under Japanese

The extension of the lease of the Liaotung Territory and of the concessions for the South Manchuria and Antung-Mukden Railway.

law, with broad political administrative functions, including police, taxation and education. To have divested the company of these functions would have been to abandon the entire " special mission " of the South Manchuria Railway, as originally conceived and subsequently developed.

Numerous issues arose in regard to the administrative rights of the Japanese within the South Manchuria Railway area, especially as to the acquisition of land, the levying of taxes, and the maintenance of railway guards.

The railway area includes, in addition to a few yards on each side of the railway tracks, fifteen municipalities, termed Japanese " railway towns ", situated along the entire system of the South Manchuria Railway from Dairen to Changchun and from Antung to Mukden. Some of these railway towns, such as those at Mukden, Changchun and Antung, comprise large sections of populous Chinese cities.

The right of the South Manchuria Railway to maintain practically complete municipal governments in the railway area rested legally upon a clause in the original Russo-Chinese Railway Agreement of 1896, which gave the railway company " absolute and exclusive administration of its lands ". The Russian Government, until the Sino-Soviet Agreement of 1924, and later the Japanese Government, which acquired the original rights of the Chinese Eastern Railway so far as concerned the South Manchuria Railway, interpreted this provision as granting political control of the railway area. The Chinese always denied this interpretation, insisting that other provisions in the Treaty of 1896 made it clear that this clause was not intended to grant such broad administrative rights as control of police, taxation, education, and public utilities.

Disputes regarding the acquisition of land by the railway company were common. By virtue of one of the clauses of the original Agreement of 1896, the railway company had the right to acquire by purchase or lease private lands " actually necessary for the construction, operation and protection of the line ". But the Chinese contended that the Japanese attempted to make improper use of this right, in order to obtain additional territory. The result was almost continuous controversy between the South Manchuria Railway Company and the Chinese local authorities.

Conflicting claims as to the right to levy taxes within the railway area led to frequent controversy. The Japanese based their claim upon the original grant to the railway company of the " absolute and exclusive administration of its lands "; the Chinese, upon the rights of the sovereign State. Speaking generally, the *de facto* situation was that the railway company levied and collected taxes from Japanese, Chinese and foreigners residing in the railway areas, and that the Chinese authorities did not exercise such authority, although they claimed the legal right to do so.

A type of controversy which was frequently arising was where the Chinese attempted to tax produce (such as soya-bean shipments) which was being carted to the South Manchuria Railway towns for transport by rail to Dairen over the Japanese line. This was described by the Chinese as a uniform tax, necessarily to be collected at the boundaries of the Japanese " railway towns ", since to refrain from doing so would have been to discriminate in favour of produce carried by the South Manchuria Railway.

The issues as to Japanese railway guards led to almost continuous difficulty. They were also indicative of a fundamental conflict of State policies in Manchuria already referred to and were the cause of a series of incidents, resulting in considerable loss of life. The legal basis of Japan's alleged right to maintain these guards was the oft-quoted clause in the original Agreement of 1896 which granted to the Chinese Eastern Railway " the absolute and exclusive right of administration of its lands ". Russia maintained, and China denied, that this gave the right to guard the railway line by Russian troops. In the Portsmouth Treaty, 1905, Russia and Japan,

The railway area.

Land disputes.

Controversies over the right of taxation in the railway areas.

The question of Japan's right to maintain " railway guards " along the South Manchuria Railway.

as between themselves, reserved the right to maintain railway guards "not to exceed 15 men per kilometre". But in the subsequent Treaty of Peking, signed by China and Japan later in the same year, the Chinese Government did not give its assent to this particular provision of the agreement between Japan and Russia. China and Japan, however, did include the following provision in Article II of the Additional Agreement of December 22nd, 1905, which is an annex to the Sino-Japanese Treaty of Peking of that date :

"In view of the earnest desire expressed by the Imperial Chinese Government to have the Japanese and Russian troops and railway guards in Manchuria withdrawn as soon as possible, and in order to meet this desire, the Imperial Japanese Government, in the event of Russia's agreeing to the withdrawal of her railway guards, or in case other proper measures are agreed to between China and Russia, consents to take similar steps accordingly. When tranquillity shall have been re-established in Manchuria and China shall have become herself capable of affording full protection to the lives and property of foreigners, Japan will withdraw her railway guards simultaneously with Russia."

Japanese contention.

It is this article upon which Japan based her treaty right. Russia, however, long since withdrew her guards and she relinquished her rights to keep them by the Sino-Soviet Agreements of 1924. But Japan contended that tranquillity had not been established in Manchuria and that China was not herself capable of affording full protection to foreigners; therefore she claimed that she still retained a valid treaty right to maintain railway guards.

Chinese contention.

Japan has appeared increasingly inclined to defend her use of these guards less upon treaty right than upon the grounds of "absolute necessity under the existing state of affairs in Manchuria".

The Chinese Government consistently controverted the contention of Japan. It insisted that the stationing of Japanese railway guards in Manchuria was not justified either in law or in fact and that it impaired the territorial and administrative integrity of China. As to the stipulation in the Sino-Japanese Treaty of Peking, already quoted, the Chinese Government contended that this was merely declaratory of a *de facto* situation of a provisional character and that it could not be said to confer a right, especially of a permanent character. Moreover, it claimed that Japan was legally obliged to withdraw her guards, since Russia had withdrawn hers, tranquillity had been re-established in Manchuria, and the Chinese authorities were able to give adequate protection to the South Manchuria Railway, as they were doing for other railway lines in Manchuria, provided the Japanese guards would permit them to do so.

Activities of the Japanese railway guards outside of the railway area.

The controversies which arose regarding the Japanese railway guards were not limited to their presence and activities within the railway area. These guards were regular Japanese soldiers and they frequently carried their police functions into adjoining districts or conducted manoeuvres outside the railway areas, with or without the permission of, and with or without notification to, the Chinese authorities. These acts were particularly obnoxious to the Chinese, officials and public alike, and were regarded as unjustifiable in law and provocative of unfortunate incidents.

Frequent misunderstandings and considerable damage to Chinese farm crops resulted from the manoeuvres, and material remuneration failed to alleviate the hostile feelings thus aroused.

Japanese Consular Police.

Closely associated with the question of the Japanese railway guards was that of the Japanese consular police. Such police were attached to the Japanese consulates and branch consulates in all the Japanese consular districts in Manchuria, not only along the South Manchuria Railway, but in such cities as Harbin, Tsitsihar and Manchouli, as well as in the so-called

"Chientao District", the area in which lived a large number of the Koreans resident in Manchuria.

The Japanese claimed that the right to maintain consular police was a corollary to the right of extra-territoriality; that it was merely an extension of the judicial functions of the consular courts, these police being necessary to protect and discipline Japanese subjects. In fact, Japanese consular police, in smaller numbers, have also been attached to Japanese consulates in other parts of China, contrary to the general practice of countries having extra-territorial treaties.

As a practical matter, the Japanese Government apparently believed that the stationing of consular police in Manchuria was a necessity under the conditions which prevailed there, especially in view of the importance of the Japanese interests involved and the large number of resident Japanese subjects, including Koreans.

The Chinese Government, however, always contested this position advanced by Japan as justification for stationing Japanese consular police in Manchuria and sent frequent protests to Japan on the subject. She claimed that there was no necessity to station Japanese police officers anywhere in Manchuria, that the question of police could not be associated with extra-territoriality, and that their presence was without treaty basis and a violation of China's sovereignty.

Whether justified or not, the presence of consular police led in a number of cases to serious conflicts between members of their force and those of the local Chinese authorities.

The Sino-Japanese Treaty of 1915 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". This was an important right, but one which was objectionable to the Chinese, since in no other part of China were foreigners as a class permitted to reside and to engage in business outside the Treaty Ports. It was the policy of the Chinese Government to withhold this privilege until extra-territoriality should be abolished and foreigners should be subject to Chinese laws and jurisdiction.

In South Manchuria, however, this right had certain limitations: the Japanese were required to carry passports and observe Chinese laws and regulations while in the interior of South Manchuria; but the Chinese regulations applicable to Japanese were not to be enforced until the Chinese authorities had first "come to an understanding with the Japanese Consul".

On many occasions, the action of the Chinese authorities was inconsistent with the terms of this agreement, the validity of which they always contested. The fact that restrictions were placed upon the residence, travel and business activities of Japanese subjects in the interior of South Manchuria, and that orders and regulations were issued by various Chinese officials prohibiting Japanese or other foreigners from residing outside the Treaty Ports or from renewing leases of buildings is not contested in the documents officially presented to the Commission by the Chinese Assessor. Official pressure, sometimes supported by severe police measures, was exerted upon the Japanese to force them to withdraw from many cities and towns in South Manchuria and Eastern Inner Mongolia, and upon Chinese property owners to prevent them from renting houses to Japanese. It was stated by the Japanese that the Chinese authorities also refused to issue passports to Japanese, harassed them by illegal taxes, and, for some years before September 1931, failed to carry out the stipulation in the agreement by which they had undertaken to submit to the Japanese Consul the regulations which were to be binding upon the Japanese.

The object of the Chinese was the execution of their national policy of restricting the exceptional privileges of Japanese in Manchuria and thus strengthening the control of China over these Three Eastern Provinces. They justified their actions on the ground that they regarded the Treaty

The Japanese justification for stationing Consular Police in Manchuria.

The Chinese denied the Japanese claims.

The right of the Japanese to travel, reside and conduct commercial enterprises in interior places in South Manchuria.

The defence and the explanation of the Chinese.

This controversy was a constant irritant until the events of September 1931.

The land lease issue.

of 1915 as without "fundamental validity". They pointed out, moreover, that the Japanese attempted to reside and conduct business in all parts of Manchuria, although the treaty provision was limited to South Manchuria.

In view of the conflicting national policies and aims of China and Japan, it was almost inevitable that continuous and bitter controversies should arise over this treaty provision. Both countries admit that the situation was a growing irritant in their mutual relations up to the events of September 1931.

Closely associated with the right to reside and to do business in the interior of South Manchuria was the right to lease land, which was granted to Japanese by the Treaty of 1915 in the following terms: "Japanese subjects in South Manchuria may, by negotiation, lease land necessary for erecting suitable buildings for trade and manufacture or for prosecuting agricultural enterprises". An exchange of notes between the two Governments at the time of the treaty defined the expression "lease by negotiation" to imply, according to the Chinese version, "a long-term lease of not more than thirty years and also the possibility of its unconditional renewal"; the Japanese version simply provided for "leases for a long term up to thirty years and unconditionally renewable". Disputes naturally arose over the question whether the Japanese land leases were, at the sole option of the Japanese, "unconditionally renewable".

The Chinese interpreted the desire of the Japanese to obtain lands in Manchuria, whether by lease, purchase, or mortgage, as evidence of a Japanese national policy to "buy Manchuria". Their authorities therefore very generally attempted to obstruct efforts of the Japanese to this end, and became increasingly active in the three or four years preceding September 1931, a period during which the Chinese "Rights-Recovery Movement" was at its height.

In making strict regulations against the purchase of land by the Japanese, their ownership of it in freehold, or their acquisition of a lien through mortgage, the Chinese authorities appeared to be within their legal rights, since the treaty granted only the privilege of leasing land. The Japanese, however, complained that it was not in conformity with the spirit of the treaty to forbid mortgages upon land.

Chinese officials, however, did not accept the validity of the treaty and consequently put every obstacle in the way of Japanese leasing land, by orders, provincial and local, calculated to make the leasing of lands to Japanese punishable under the criminal laws; by imposition of special fees and taxes payable in advance on such leases; and by instructions to local officials prohibiting them, under threat of punishment, from approving such transfers to Japanese.

In spite of these obstacles, great tracts of land have, as a matter of fact, not only been leased by the Japanese, but actually obtained in freehold — although the titles might not be recognised in a Chinese court — through outright purchase, or by the more usual means of foreclosing a mortgage. These mortgages on land have been obtained by Japanese loan operators, especially large loan associations, certain of which have been organised especially for the purpose of acquiring land tracts. The total area of lands leased to Japanese in the whole of Manchuria, and in Jehol, according to Japanese official sources, increased from about 80,000 acres in 1922-23 to over 500,000 acres in 1931. A small proportion of this total was in North Manchuria, where the Japanese had no legal right under Chinese law and international treaty to acquire land leases.

Due to the importance of this land lease issue, there were at least three attempts during the decade preceding 1931 to reach some agreement by direct Sino-Japanese negotiation. A possible solution, which there is reason to believe was under consideration, would have treated together the two subjects of land leasing and the abolition of extra-territoriality: in

The Japanese have acquired land by lease, mortgage and purchase in "North Manchuria" as well as in "South Manchuria".

Sino-Japanese negotiations on the issue of land lease.

Manchuria, the Japanese were to surrender extra-territoriality and the Chinese were to permit the Japanese to lease land freely. But the negotiations were unsuccessful.

This long-standing Sino-Japanese controversy over the right of Japanese to lease land arose, like the other issues already mentioned, out of the fundamental conflict between rival State policies, the allegations and counter-statements concerning violation of international agreements being less consequential in themselves than the underlying objectives of each policy.

5. THE KOREAN PROBLEM IN MANCHURIA.

The presence of about 800,000 Koreans in Manchuria, who possess Japanese nationality under the Japanese law, served to accentuate the conflict of policies of China and of Japan. Out of this situation there arose various controversies, in consequence of which the Koreans themselves were victimised, being subjected to suffering and brutalities¹.

Chinese opposition to Korean acquisition, by purchase or lease, of land in Manchuria was resented by the Japanese, who claimed that the Koreans were entitled, as Japanese subjects, to the privileges of land-leasing acquired by Japan in the Treaty and Notes of 1915. The problem of dual nationality also arose, as the Japanese refused to recognise the naturalisation of Koreans as Chinese subjects. The use of Japanese consular police to invigilate and protect the Koreans was resented by the Chinese and resulted in innumerable clashes between Chinese and Japanese police. Special problems arose in the Chientao District, just north of the Korean border, where the 400,000 Korean residents outnumber the Chinese by three to one. By 1927, these questions led the Chinese to pursue a policy of restricting the free residence of Koreans in Manchuria — a policy which the Japanese characterised as one of unjustifiable oppression.

The status and rights of Koreans in Manchuria are determined largely in three Sino-Japanese agreements — viz., the Agreement relating to the Chientao Region, September 4th, 1909; the Treaty and Notes of May 25th, 1915, concerning South Manchuria and Eastern Inner Mongolia; and the so-called "Mitsuya Agreement" of July 8th, 1925. The delicate question of dual nationality in the case of the Koreans has never been regularised by Sino-Japanese agreement.

By 1927, the Chinese authorities in Manchuria generally came to believe that the Koreans had become, in fact, "a vanguard of Japanese penetration and absorption" of Manchuria. In this view, so long as the Japanese refused to recognise the naturalisation of Koreans as Chinese subjects, and especially since the Japanese consular police constantly exercised surveillance over Koreans, the acquisition of land by Koreans, whether by purchase or lease, was an economic and political danger "which threatened the very existence of Chinese people in Manchuria".

The view was prevalent among the Chinese that the Koreans were being compelled to migrate from their homeland in consequence of the studied policy of the Japanese Government to displace Koreans with Japanese immigrants from Japan, or to make life so miserable for them, politically and economically, especially by forcing them to dispose of their land holdings, that emigration to Manchuria would naturally follow. According to the Chinese view, the Koreans, being an "oppressed race" ruled by an alien Government in their own land, where the Japanese monopolised all the important official posts, were forced to migrate to Manchuria to seek political freedom and an economic livelihood. The Korean immigrants, 90 per cent of whom are farmers, and almost all of whom cultivators of ricefields, were thus at first welcomed by the Chinese as an economic asset

Sino-Japanese agreements governing the status of Koreans in Manchuria.

Chinese contentions.

¹ See special study No. 9, annexed to this Report.

and favoured out of a natural sympathy for their supposed oppression. They contended that, but for the Japanese refusal to permit Koreans to become naturalised Chinese subjects and the Japanese policy of pursuing them into Manchuria on the pretext of offering them necessary police protection, this Korean colonisation in Manchuria would have created no major political and economic problems. The Chinese deny that the efforts admittedly made by their officials in Manchuria, especially after 1927, to restrict the free settlement of Koreans on the land in Manchuria, except as mere tenants or labourers, can be regarded as instances of "oppression".

The Japanese admit that the Chinese suspicion was the principal cause of Chinese "oppression" of the Koreans, but vigorously deny the allegation that they pursued any definite policy of encouraging Korean migration to Manchuria, stating that "Japan having neither encouraged nor restricted it, the Korean emigration to Manchuria must be regarded as the outcome of a natural tendency", a phenomenon uninfluenced by any political or diplomatic motives. They therefore declare that "the fear on the part of China that Japan is plotting the absorption of the two regions by making use of Korean immigrants is entirely groundless".

These irreconcilable views intensified such problems as those related to the leasing of land, questions of jurisdiction and the Japanese consular police, these having created a most unfortunate situation for the Koreans and embittered Sino-Japanese relations¹.

There exist no Sino-Japanese agreements which specifically grant or deny the right of Koreans to settle, reside, and conduct occupations outside the Treaty Ports, or to lease or otherwise acquire land in Manchuria, except in the so-called Chientao District. Probably, however, over 400,000 Koreans do live in Manchuria outside Chientao. They are widely distributed, especially in the eastern half of Manchuria, and are numerous in the regions lying north of Korea, in Kirin Province, and have penetrated in large numbers into the region of the eastern section of the Chinese Eastern Railway, the lower Sungari valley and along the Sino-Russian border from North-Eastern Korea to the Ussuri and the Amur River valleys, their migration and settlement having overflowed into the adjoining territories of the U.S.S.R. Moreover, partly because a very considerable group of the Koreans are natives of Manchuria, their ancestors having immigrated generations ago, and partly because others have renounced their allegiance to Japan and have become naturalised Chinese subjects, a great many Koreans to-day actually possess agricultural lands in Manchuria, outside of Chientao, both by virtue of freehold title and leasehold. The vast majority, however, cultivate paddy fields simply as tenant farmers under rental contracts, on a crop-division basis, with the Chinese landlords, these contracts usually being limited to periods from one to three years, renewable at the discretion of the landlord.

The Chinese deny that the Koreans have the right to purchase or lease agricultural lands in Manchuria outside the Chientao District, since the only Sino-Japanese agreement on the point is the Chientao Agreement of 1909, which is restricted in its application to that area. Only Koreans who are Chinese subjects, therefore, are entitled to purchase land, or, for that matter, to reside and lease land in the interior of Manchuria. In denying the claim of right of the Koreans to lease land freely in Manchuria, the Chinese Government has contended that the Chientao Agreement of 1909, which granted Koreans the right of residence with special land-holding privileges in the Chientao District alone and specified that the Koreans were to be subject to Chinese jurisdiction, is in itself a self-contained instrument "purporting to settle, by mutual concessions, local issues then pending between China and Japan in that area". The Chientao

¹ See special study No. 9, annexed to this Report.

Agreement contained a *quid pro quo*, Japan waiving the claim of jurisdiction over the Koreans, China granting them the special privilege of possessing agricultural lands.

Both countries continued to observe the agreement after the annexation of Korea by Japan in 1910, China contending that the Treaty and Notes of 1915 could not alter the stipulations of the Chientao Agreement, especially as the new Treaty contained a clause specifying that "all existing treaties between China and Japan relating to Manchuria shall, except as otherwise provided for by this Treaty, remain in force". No exception was made for the Chientao Agreement. The Chinese Government further contends that the Treaty and Notes of 1915 do not apply to the Chientao District, since the latter is not geographically a part of "South Manchuria" — a term which is ill-defined both geographically and politically.

This Chinese contention has been contested by the Japanese since 1915, their position being that, inasmuch as the Koreans became Japanese subjects by virtue of the annexation of Korea in 1910, the provisions of the Sino-Japanese Treaty and Notes of 1915 concerning South Manchuria and Eastern Inner Mongolia, which grant Japanese subjects the right to reside and lease lands in South Manchuria and to participate in joint agricultural enterprises in Eastern Inner Mongolia, apply equally to the Koreans. The Japanese Government has contended that the Chientao Agreement was superseded by those provisions of the 1915 agreements in conflict therewith, that the Chinese contention that the Chientao Agreement is a self-contained instrument is untenable, since the right secured by the Koreans in Chientao was actually in consequence of Japan's agreement to recognise that region as a part of Chinese territory. It asserts that it would be discriminatory on its part to refrain from seeking for the Koreans in Manchuria rights and privileges granted to other Japanese subjects.

The Japanese reason for favouring the acquisition of land by Koreans in Manchuria is partly due to their desire to obtain rice exports for Japan, a desire which, so far, has been but partly satisfied, since probably half the rice production of over seven million bushels in 1930 is consumed locally, and the export of the balance has been restricted. The Japanese assert that the Korean tenants, after having reclaimed waste lands and making them profitable for the Chinese owners, have been unjustly ejected. The Chinese, on the other hand, while equally desirous of having the cultivable lowlands producing rice, have generally employed the Koreans as tenants or labourers to prevent the land itself from falling into Japanese hands. Many Koreans have therefore become naturalised Chinese subjects in order to possess land, some of them, however, having acquired such titles, transferring them to Japanese land-mortgage associations. This suggests one reason why there has been a difference of opinion among the Japanese themselves as to whether naturalisation of Koreans as Chinese subjects should be recognised by the Japanese Government.

Under a Chinese Nationality Law of 1914, only aliens who, under the law of their own country, were permitted to become naturalised in another were capable of being naturalised Chinese subjects. The Chinese revised Nationality Law of February 5th, 1929, however, contained no provision by which an alien was required to lose his original nationality in order to acquire Chinese nationality. Koreans were therefore naturalised as Chinese regardless of the Japanese insistence that such naturalisation could not be recognised under Japanese law. The Japanese nationality laws have never permitted Koreans to lose their Japanese nationality and, although a revised Nationality Law of 1924 contained an article to the effect that "a person who acquires foreign nationality voluntarily loses Japanese nationality", this general law has never been made applicable to the Koreans by special Imperial Ordinance. Nevertheless, many Koreans in Manchuria, varying from 5 to 20 per cent of the total Korean population in certain districts, especially where they are

The Chinese contention.

The Japanese contention.

The effect of these rival contentions on the conditions of the Koreans.

The problem of dual nationality of Koreans in Manchuria.

relatively inaccessible by the Japanese consular officials, have become naturalised as Chinese. Others, incidentally, when migrating beyond the Manchurian borders into Soviet territory, have become citizens of the U.S.S.R.

Effect of dual nationality of the Koreans on Chinese policy.

This problem of dual nationality of the Koreans influenced the National Government of China and the provincial authorities in Manchuria generally to look with disfavour upon indiscriminate naturalisation of Koreans, fearing that they might, by temporarily acquiring Chinese nationality, become potential instruments of a Japanese policy of acquiring agricultural lands. In Regulations issued by the Kirin Provincial Government, September 1930, governing the purchase and sale of land throughout the province, it was provided that "when a naturalised Korean purchases land, investigation must be made in order to discover whether he wants to purchase it as a means of residing as a permanently naturalised citizen or on behalf of some Japanese". The local district officials, however, seem to have wavered in their attitude, at times enforcing the orders of the higher authorities, but frequently issuing temporary naturalisation certificates in lieu of formal certificates requiring the approval of the provincial government and the Ministry of the Interior at Nanking. These local officials, especially in areas far removed from Japanese consulates, often readily consented to the issuing of such certificates to the Koreans who applied for them and, on occasion, no doubt actually compelled the Koreans to become naturalised or to leave the country, their actions being influenced both by the policy of the Japanese and by the revenue derivable from the naturalisation fees. The Chinese have asserted, moreover, that some Japanese themselves actually connived at this business of naturalising Koreans in order to use them as dummy land-owners or to acquire lands by transfer from such naturalised Koreans. Generally speaking, however, the Japanese authorities discountenanced naturalisation of Koreans and assumed jurisdiction over them wherever possible.

Problems arising from conflicting claims to police jurisdiction peculiarly serious, involving the Koreans.

The Japanese claim of right to maintain consular police in Manchuria as a corollary of extra-territoriality became a source of constant conflict where the Koreans were involved. Whether the Koreans desired such Japanese interference, ostensibly in their behalf, or not, the Japanese consular police, especially in the Chientao District, undertook, not only protective functions, but also freely assumed the right to conduct searches and seizures of Korean premises, especially where the Koreans were suspected of being involved in the Independence Movement, or in Communist or anti-Japanese activities. The Chinese police, for their part, frequently came into collision with the Japanese police in their efforts to enforce Chinese laws, preserve the peace, or suppress the activities of "undesirable" Koreans. Although the Chinese and Japanese police did co-operate on many occasions, as provided for in the so-called "Mitsuya Agreement" of 1925, in which it was agreed that, in Eastern Fengtien Province, the Chinese would suppress "the Korean societies" and turn over "Koreans of bad character" to the Japanese on the latter's request, the actual state of affairs was really one of constant controversy and friction. Such a situation was bound to cause trouble.

The special problem of Chientao.

The Korean problems and the resulting Sino Japanese relations over the Chientao District had attained a peculiarly complicated and serious character. Chientao (called "Kanto" in Japanese and "Kando" in Korean) comprises the three districts of Yenching, Holung and Wangching in Liaoning (Fengtien) Province, and, in practice, as evidenced by the attitude of the Japanese Government, includes also the district of Hunchun, which four districts adjoin the north-east corner of Korea just across the Tumen River.

The Japanese attitude and policy towards Chientao.

The Japanese, describing the traditional attitude of the Koreans towards the Chientao area, have been disinclined to admit that the Chientao Agreement of 1909 closed once and for all the issue whether this territory

should belong to China or to Korea, the idea being that, since the district is predominantly Korean, over half of the arable land being cultivated by them, "they have so firmly established themselves in the locality that it may practically be regarded as a Korean sphere". In Chientao, more than elsewhere in Manchuria, the Japanese Government has been insistent on exercising jurisdiction and surveillance over the Koreans, over 400 Japanese consular police having been maintained there for years. The Japanese Consular Service, in co-operation with Japanese functionaries assigned by the Government-General of Chosen, exercise broad powers of an administrative character in the region, their functions including maintenance of Japanese schools, hospitals and Government-subsidised financing media for the Koreans. The area is regarded as a natural outlet for Korean emigrants who cultivate rice-fields, while politically it has special importance, since Chientao has long been a refuge of Korean independence advocates, Communist groups and other disaffected anti-Japanese partisans, a region where, as evidenced by the Hunchun Rising of Koreans against the Japanese in 1920, after the Independence Outbreak in Korea, the Japanese have had serious political problems intimately associated with the general problem of governance of Korea. The military importance of this region is obvious from the fact that the lower reaches of the Tumen River form the boundary between Japanese, Chinese and Soviet territory.

The Chientao Agreement provided that "the residence of Korean subjects, as heretofore, on agricultural lands lying north of the River Tumen", should be permitted by China; that Korean subjects residing on such lands should henceforth "be amenable to the jurisdiction of the Chinese local officials"; that they should be given equal treatment with the Chinese; and that, although all civil and criminal cases involving such Koreans should be "heard and decided by the Chinese authorities", a Japanese consular official should be permitted to attend the court, especially in capital cases, with the right to "apply to the Chinese authorities for a new trial" under special Chinese judicial procedure.

The Japanese, however, have taken the position that the Sino-Japanese Treaty and Notes of 1915 override the Chientao Agreement in so far as jurisdictional questions are concerned, and that, since 1915, Koreans, as Japanese subjects, are entitled to all the rights and privileges of extra-territorial status under the Japanese treaties with China. This contention has never been admitted by the Chinese Government, the Chinese insisting that the Chientao Agreement, if applicable in so far as the right granted to Koreans to reside on agricultural lands is concerned, is also applicable in those articles where it is provided that the Koreans should submit to Chinese jurisdiction. The Japanese have interpreted the article permitting Korean residence on agricultural lands to mean the right to purchase and lease such lands in Chientao; the Chinese, contesting this interpretation, take up the position that the article must be interpreted literally and that only Koreans who have become naturalised Chinese subjects are entitled to purchase land there.

The actual situation is therefore anomalous, since, as a matter of fact, there are non-naturalised Koreans in Chientao who have acquired lands in freehold title, with the connivance of the local Chinese officials, although as a general rule the Koreans themselves recognise the acquisition of Chinese nationality as a necessary condition of obtaining the right to purchase land in Chientao. Japanese official figures represent over half the arable land of Chientao (including Hunchun) as "owned" by Koreans, their figures admitting that over 15 per cent of the Koreans there have become naturalised as Chinese subjects. Whether it is these naturalised Koreans who "own" those lands is impossible to say. Such a situation naturally gave rise to numerous irregularities and constant differences, often manifested by open clashes between the Chinese and Japanese police.

Conflicts of the Chinese and Japanese interpretations of the Chientao Agreement.

The actual situation as to Korean land ownership is anomalous.

Japanese
allegations of
Chinese
oppression of
the Koreans.

The Japanese assert that, about the end of 1927, a movement for persecuting Korean immigrants in Manchuria broke out, under Chinese official instigation, as an aftermath of a general anti-Japanese agitation, and state that this oppression was intensified after the Manchurian provinces declared their allegiance to the National Government at Nanking. Numerous translations of orders issued by the central and local Chinese authorities in Manchuria have been submitted as evidence to the Commission of a definite Chinese policy of oppressing the Koreans by forcing them to become naturalised as Chinese, driving them from their rice-fields, compelling them to re-migrate, subjecting them to arbitrary levies and exorbitant taxation, preventing them from entering into contracts of lease or rental for houses and lands, and inflicting upon them many brutalities. It is stated that this campaign of cruelty was particularly directed against the "pro-Japanese" Koreans, that Korean Residents' Associations, which are subsidised by the Japanese Government, were the objects of persecution, that non-Chinese schools maintained by or for the Koreans were closed, that "undesirable Koreans" were permitted to levy blackmail and perpetrate atrocities upon Korean farmers, and that Koreans were compelled to wear Chinese clothing and renounce any claim of reliance upon Japanese protection or assistance in their miserable plight.

The fact that the Manchurian authorities did issue orders discriminatory against non-naturalised Koreans is not denied by the Chinese, the number and character of these orders and instructions, especially since 1927, establishing beyond a doubt that the Chinese authorities in Manchuria generally regarded the Korean infiltration, in so far as it was accompanied by Japanese jurisdiction, as a menace which deserved to be opposed.

Because of the seriousness of the Japanese allegations and the pitiable plight of the Korean population of Manchuria, the Commission gave special attention to this subject and, without accepting all these accusations as adequately descriptive of the facts, or concluding that certain of these restrictive measures applied to the Koreans were entirely unjustified, is in a position to confirm this general description of the Chinese actions towards the Koreans in certain parts of Manchuria. While in Manchuria, numerous delegations, who represented themselves as spokesmen of Korean communities, were received by the Commission.

It is obvious that the presence of this large minority of Koreans in Manchuria served to complicate the Sino-Japanese controversies over land leasing, jurisdiction and police, and the economic rivalries which formed a prelude to the events of September 1931. While the great majority of the Koreans only wanted to be left alone to earn their livelihood, there were among them groups which were branded by the Chinese or Japanese, or both, as "undesirable Koreans", including the advocates and partisans of the independence of Korea from Japanese rule, Communists, professional law breakers, including smugglers and drug traders, and those who, in league with Chinese bandits, levied blackmail or extorted money from those of their own blood. Even the Korean farmer himself frequently invited oppression by his ignorance, improvidence and willingness to incur indebtedness to his more agile-minded landlord.

Aside from the involvement of the Koreans, however unwittingly, in the controversies which, in the Chinese view, were the inevitable results of the general Japanese policies with respect to Manchuria, the Chinese submit that much of what has been termed "oppression" of the Koreans should not properly be so called, and that certain of the measures taken against the Koreans by the Chinese were actually either approved or connived at by the Japanese authorities themselves. They assert that it should not be forgotten that the great majority of the Koreans are bitterly anti-Japanese and unreconciled to the Japanese annexation of their native land, and that the Korean emigrants, who would never have left their

Special
attention
given to the
Korean
problem by
the
Commission.

The Chinese
explanation of
their
treatment of
the Koreans.

homeland but for the political and economic difficulties under which they have suffered, generally desire to be free from Japanese surveillance in Manchuria.

The Chinese, while admitting a certain sympathy with the Koreans, draw attention to the existence of the "Mitsuya Agreement" of June-July 1925 as evidence both of a willingness on the part of the Chinese authorities to curb the activities of Koreans whom the Japanese consider "bad characters" and a menace to their position in Korea, and of official sanction on the part of the Japanese themselves for certain of those very acts which the Japanese would have others believe are instances of Chinese "oppression" of the Koreans. This agreement, which has never been widely known abroad, was negotiated by the Japanese Police Commissioner of the Government-General of Chosen and the Chinese Police Commissioner of Fengtien Province. It provided for co-operation between the Chinese and Japanese police in suppressing "Korean societies" (presumably of an anti-Japanese character) in Eastern Fengtien Province, stipulating that "the Chinese authorities shall immediately arrest and extradite those leaders of the Korean societies whose names had been designated by the authorities of Korea", and that Koreans of "bad character" should be arrested by the Chinese police and turned over to the Japanese for trial and punishment. The Chinese assert, therefore, that "it is largely for the purpose of giving practical effect to this agreement that certain restrictive measures have been put into force governing the treatment of Koreans. If they are taken as evidence proving the oppression of Koreans by Chinese authorities, then such measures of oppression, if indeed they are, have been resorted to principally in the interest of Japan". Furthermore, the Chinese submit that, "in view of the keen economic competition with native farmers, it is but natural that the Chinese authorities should exercise their inherent right to take measures to protect the interests of their own countrymen".

6. THE WANPAOSHAN AFFAIR AND THE ANTI-CHINESE RIOTS IN KOREA.

The Wanpaoshan affair, together with the case of Captain Nakamura, have been widely regarded as the causes immediately contributing to the Sino-Japanese crisis in Manchuria. The intrinsic importance of the former, however, was greatly exaggerated. The sensational accounts of what occurred at Wanpaoshan, where there were no casualties, led to a feeling of bitterness between Chinese and Japanese and, in Korea, to the serious attacks by Koreans upon Chinese residents. These anti-Chinese riots, in turn, revived the anti-Japanese boycott in China. Judged by itself, the Wanpaoshan affair was no more serious than several other incidents involving clashes between Chinese and Japanese troops or police which had occurred during the past few years in Manchuria.

Wanpaoshan is a small village located some 18 miles (30 kilometres) north of Changchun, adjoining a low marshy area alongside the Itung River. It was here that one Hao Yung-teh, a Chinese broker, leased on behalf of the Chang Nung Agricultural Company, from the Chinese owners, a large tract of land by a contract dated April 16th, 1931. It was stipulated in the contract that it should be null and void in case the District Magistrate refused to approve its terms.

Shortly after this, the lessee sub-leased this entire plot of land to a group of Koreans. This second contract contained no provision requiring official approval for enforcement and took for granted that the Koreans would construct an irrigation canal with tributary ditches. Hao Yung-teh had sub-leased this land to the Korean farmers without first having obtained Chinese formal approval of the original lease contract with the Chinese owners.

So-called
"Mitsuya
Agreement",
1925.

The relations
of the
Wanpaoshan
affair to the
events of
September
1931.

A lease
contract for
rice-land
between the
Chinese
landowners
and the
Chinese broker
required the
official
approval of
the Chinese
authorities.

This land was
sub-leased by
the Chinese
broker to the
Korean
tenants.

The digging of an irrigation ditch by the Koreans across land owned by Chinese farmers was the principal cause of local Chinese opposition. The Chinese farmers demanded the cessation of work on the irrigation ditch and the evacuation of the Koreans.

The Chinese and Japanese authorities at Changchun agreed upon a joint investigation. Inclusive investigation.

The incident of July 1st.

The anti-Chinese riots in Korea.

Heavy loss of life and property among the Chinese residents.

Alleged responsibility of the Japanese

Immediately after the conclusion of the second lease, the Koreans began digging an irrigation ditch or canal, several miles long, in order to divert the water of the Itung River and distribute it over this low marshy area for the purpose of making it suitable for paddy cultivation. This ditch traversed large areas of land cultivated by Chinese who were not parties to either lease transaction, since their lands lay between the river and that leased by the Koreans. In order to provide ample water supply to be deflected through this ditch to their holdings, the Koreans undertook to construct a dam across the Itung River.

After a considerable length of the irrigation ditch had been completed, the Chinese farmers whose lands were cut by the canal rose up *en masse* and protested to the Wanpaoshan authorities, begging them to intervene in their behalf. As a result, the Chinese local authorities despatched police to the spot and ordered the Koreans to stop excavation work at once and to vacate the area. At the same time, the Japanese Consul at Changchun sent consular police to protect the Koreans. Local negotiations between the Japanese and Chinese representatives failed to solve the problem. Somewhat later, both sides sent additional police, with resulting protests, counter-statements and attempted negotiations.

On June 8th, both sides agreed to withdraw their police forces and to conduct a joint investigation of the situation at Wanpaoshan. This investigation revealed the fact that the original lease contained a clause providing that the entire contract would be "null and void" if it should not be approved by the Chinese District Magistrate, and that this approval was never given.

The joint investigators, however, apparently failed to agree upon their findings, the Chinese maintaining that the digging of the irrigation ditch could not fail to violate the rights of the Chinese farmers whose lands were cut by it and the Japanese insisting that the Koreans should be permitted to continue their work, since it would be unfair to eject them on account of the error in the lease procedure for which they were in no way at fault. Shortly thereafter, the Koreans, assisted by Japanese consular police, continued to dig the ditch.

Out of this train of circumstances came the incident of July 1st, when a party of 400 Chinese farmers whose lands were cut by the irrigation ditch, armed with agricultural implements and pikes, drove the Koreans away and filled in much of the ditch. The Japanese consular police thereupon opened rifle fire to disperse the mob and to protect the Koreans, but there were no casualties. The Chinese farmers withdrew and the Japanese police remained on the spot until the Koreans completed the ditch and the dam across the Itung River.

After the incident of July 1st, the Chinese municipal authorities continued to protest to the Japanese Consul at Changchun against the action of the Japanese consular police and of the Koreans.

Far more serious than the Wanpaoshan affair was the reaction to this dispute in Chosen (Korea). In consequence of sensational accounts of the situation at Wanpaoshan, especially of the events of July 1st, which were printed in the Japanese and Korean Press, a series of anti-Chinese riots occurred throughout Korea. These riots began at Jinsen on July 3rd, and spread rapidly to other cities.

The Chinese state, on the basis of their official reports, that 127 Chinese were massacred and 393 wounded, and that Chinese property to the value of 2,500,000 Yen was destroyed. They claim, moreover, that the Japanese authorities in Korea were in large measure responsible for the results of these riots, since, it was alleged, they took no adequate steps to prevent them and did not suppress them until great loss of Chinese life and property had resulted. The Japanese and Korean newspapers were not prevented from publishing sensational and incorrect accounts of the Wanpaoshan incident

of July 1st, which were of a character to arouse the hatred of the Korean populace against the Chinese residents.

The Japanese claim, however, that these riots were due to the spontaneous outburst of racial feeling, and that the Japanese authorities suppressed them as soon as possible.

A result of importance was the fact that these outbreaks in Korea served directly to revive the anti-Japanese boycott throughout China.

Shortly after the anti-Chinese riots in Korea and while the Wanpaoshan affair was still unsettled, the Chinese Government made a protest to Japan, on account of the riots, charging Japan with full responsibility for failure to suppress them. The Japanese Government, in reply, on July 15th, expressed regret at the occurrence of these riots and offered compensation for the families of the dead.

From July 22nd until September 15th, there were negotiations and exchanges of notes between the Chinese and Japanese local and central authorities over the Wanpaoshan affair. The Chinese maintained that the difficulties at Wanpaoshan were due to the fact that the Koreans were living where they had no right to be, since their privileges of residing and leasing of land did not extend outside the Chientao District, in accordance with the Chientao Agreement of September 4th, 1909.

The Chinese Government protested against the stationing of Japanese consular police in China and asserted that the despatch of a large force of these police to Wanpaoshan was responsible for the incident of July 1st.

The Japanese, on the other hand, insisted that the Koreans had a treaty right to reside and lease land at Wanpaoshan, since their privileges were not limited to those specified in the Chientao Agreement, but included the rights, granted to Japanese subjects in general, of residing and leasing land throughout South Manchuria. The status of the Koreans, it was claimed, was identical with that of other Japanese subjects. The Japanese also urged that the Koreans had undertaken their rice cultivation project in good faith and that the Japanese authorities could not assume responsibility for the irregularities of the Chinese broker who arranged the lease. The Japanese Government consented to the withdrawal of the consular police from Wanpaoshan, but the Korean tenants remained and continued to cultivate their rice-lands.

A complete solution of the Wanpaoshan affair had not been reached by September 1931.

7. THE CASE OF CAPTAIN NAKAMURA.

The case of Captain Nakamura was viewed by the Japanese as the culminating incident of a long series of events which showed the utter disregard of the Chinese for Japanese rights and interests in Manchuria. Captain Nakamura was killed by Chinese soldiers in an out-of-the-way region in Manchuria during the mid-summer of 1931.

Captain Shintaro Nakamura was a Japanese military officer on active duty and, as was admitted by the Japanese Government, was on a mission under the orders of the Japanese Army. While passing through Harbin, where his passport was examined by the Chinese authorities, he represented himself as an agricultural expert. He was at that time warned that the region in which he intended to travel was a bandit-ridden area, and this fact was noted on his passport. He was armed, and carried patent medicine which, according to the Chinese, included narcotic drugs for non-medical purposes.

On June 9th, accompanied by three interpreters and assistants, Captain Nakamura left Iikotu Station on the western section of the Chinese Eastern Railway. When he had reached a point some distance in the interior, in the direction of Taonan, he and the other members of his party were placed

authorities in Korea.

The riots in Korea intensified the anti-Japanese boycott in China.

The Japanese Government expressed regret for the anti-Chinese riots and offered compensation for the families of the dead.

The grounds for Chinese protests concerning the Wanpaoshan affair.

The Japanese position.

Importance of the Nakamura case.

Captain Nakamura was on a military mission in interior Manchuria.

Captain Nakamura and companions were killed by Chinese soldiers.

under detention by Chinese soldiers under Kuan Yuheng, the Commander of the Third Regiment of the Reclamation Army. Several days later, about June 27th, he and his companions were shot by Chinese soldiers and their bodies were cremated to conceal the evidence of the deed.

The Japanese contention.

The Japanese insisted that the killing of Captain Nakamura and his companions was unjustified and showed arrogant disrespect for the Japanese Army and nation; they asserted that the Chinese authorities in Manchuria delayed to institute official enquiries into the circumstances, were reluctant to assume responsibility for the occurrence, and were insincere in their claim that they were making every effort to ascertain the facts in the case.

The Chinese contention.

The Chinese declared, at first, that Captain Nakamura and his party were detained pending an examination of their permits, which, according to custom, were required of foreigners travelling in the interior; that they had been treated well; and that Captain Nakamura was shot by a sentry while endeavouring to make his escape. Documents, including a Japanese military map and two diaries, they stated, were found on his person, which proved that he was either a military spy or an officer on special military mission.

Investigations.

On July 17th, a report of the death of Captain Nakamura reached the Japanese Consul-General at Tsitsihar and, at the end of the month, Japanese officials in Mukden informed the local Chinese authorities that they had definite evidence that Captain Nakamura had been killed by Chinese soldiers. On August 17th, the Japanese military authorities in Mukden released for publication the first account of his death (see *Manchuria Daily News*, August 17th, 1931). On the same day, Consul-General Hayashi, and also Major Mori, who had been sent by the Japanese General Staff from Tokyo to Manchuria to investigate the circumstances, had interviews with Governor Tsang Shih-yi, of Liaoning Province. Governor Tsang promised to investigate it at once.

Immediately thereafter, Governor Tsang Shih-yi communicated with Marshal Chang Hsueh-liang (who was then ill in a hospital in Peiping) and with the Minister for Foreign Affairs in Nanking and, also, appointed two Chinese investigators, who proceeded at once to the scene of the alleged murder. These two men returned to Mukden on September 3rd. Major Mori, who had been conducting an independent investigation on behalf of the Japanese General Staff, returned to Mukden on September 4th. On that day Consul-General Hayashi called on General Yung Chen, the Chinese Chief of Staff, and was informed that the findings of the Chinese investigators were indecisive and unsatisfactory, and that it would therefore be necessary to conduct a second enquiry. General Yung Chen left for Peiping on September 4th to consult with Marshal Chang Hsueh-liang on the new developments in the Manchurian situation, returning to Mukden on September 7th.

Efforts of Chinese to reach a settlement.

Having been informed of the seriousness of the situation in Manchuria, Marshal Chang Hsueh-liang instructed Governor Tsang Shih-yi and General Yung Chen to conduct, without delay and on the spot, a second enquiry into the Nakamura case. Learning from his Japanese military advisers of the deep concern of the Japanese military over this affair, he sent Major Shibayama to Tokyo to make it clear that he wished to settle the case amicably. Major Shibayama arrived in Tokyo on September 12th, and stated, according to subsequent Press reports, that Marshal Chang Hsueh-liang was sincerely desirous of securing an early and equitable termination of the Nakamura issue. In the meantime, Marshal Chang had sent Mr. Tang Er-ho, a high official, on a special mission to Tokyo to consult with the Minister for Foreign Affairs, Baron Shidehara, in order to ascertain what common ground might be found for a solution of various pending Sino-Japanese questions concerning Manchuria. Mr. Tang Er-ho had conversations with Baron Shidehara, General Minami and other high military officials.

On September 16th, Marshal Chang Hsueh-liang gave out an interview to the Press which reported him as saying that the Nakamura case, in accordance with the wish of the Japanese, would be handled by Governor Tsang Shih-yi and the Manchurian authorities, and not by the Foreign Office at Nanking.

The second Chinese commission of investigation, after visiting the scene of the killing of Captain Nakamura, returned to Mukden on the morning of September 16th. On the afternoon of the 18th, the Japanese Consul called upon General Yung Chen, when the latter stated that Commander Kuan Yu-heng had been brought to Mukden on September 16th charged with responsibility for the murder of Captain Nakamura and would be immediately tried by a military court-martial. Later, it was made known by the Japanese, after their occupation of Mukden, that Commander Kuan had been detained by the Chinese in a military prison.

Consul-General Hayashi, Mukden, was reported on September 12th-13th to have reported to the Japanese Foreign Office that "an amicable settlement would probably be made after the return of the investigators to Mukden", especially as General Yung Chen had definitely admitted that Chinese soldiers had been responsible for the death of Captain Nakamura. The Mukden correspondent of the *Nippon Dempo Service* telegraphed a despatch on September 12th stating that "an amicable settlement of the alleged murder case of Captain Shintaro Nakamura of the Japanese General Staff Office by soldiers of the Chinese Reclamation Army Corps is in sight". Numerous statements of Japanese military officers, however, especially those of Colonel K. Doihara, continued to question the sincerity of the Chinese efforts to arrive at a satisfactory solution of the Nakamura case, in view of the fact that Commander Kuan, alleged to have been responsible for the death of Captain Nakamura, had been taken into custody in Mukden by the Chinese authorities, the date of his court-martial having been announced as to occur within a week. Since the Chinese authorities admitted to Japanese consular officials in Mukden, in a formal conference held on the afternoon of September 18th, that Chinese soldiers were responsible for the death of Captain Nakamura, expressing also a desire to secure a settlement of the case diplomatically without delay, it would seem that diplomatic negotiations for attaining a solution of the Nakamura case were actually progressing favourably up to the night of September 18th.

The Nakamura case, more than any other single incident, greatly aggravated the resentment of the Japanese and their agitation in favour of forceful means to effect a solution of outstanding Sino-Japanese difficulties in regard to Manchuria. The inherent seriousness of the case was aggravated by the fact that Sino-Japanese relations just at this time were strained on account of the Wanpaoshan affair, the anti-Chinese riots in Korea, the Japanese military manoeuvres across the Tumen River on the Manchurian-Korean frontier, and the Chinese mob violence committed at Tsingtao, in protest against the activities of the local Japanese patriotic societies.

Captain Nakamura was an army officer on active service, a fact which was pointed to by the Japanese as a justification for strong and swift military action. Mass meetings were held in Manchuria and in Japan for the purpose of crystallising public sentiment in favour of such action. During the first two weeks of September, the Japanese Press repeatedly declared that the army had decided that the "solution ought to be by force", since there was no other alternative.

The Chinese claimed that the importance of the case was greatly exaggerated and that it was made a pretext for the Japanese military occupation of Manchuria. They denied the contention of the Japanese that there was insincerity or delay on the part of the Chinese officials in dealing with the case.

The results of the Nakamura case.

By the end of August 1931, therefore, Sino-Japanese relations over Manchuria were severely strained in consequence of the many controversies and incidents described in this chapter. The claim that there were 300 cases outstanding between the two countries and that peaceful methods for settling each of them had been progressively exhausted by one of the parties cannot be substantiated. These so-called "cases" were rather situations arising out of broader issues, which were rooted in fundamentally irreconcilable policies. Each side accuses the other of having violated, unilaterally interpreted, or ignored the stipulations of the Sino-Japanese agreements. Each side had legitimate grievances against the other.

The account here given of the efforts made by one side or the other to secure a settlement of these questions at issue between them shows that some efforts were being made to dispose of these questions by the normal procedure of diplomatic negotiation and peaceful means, and these means had not yet been exhausted. But the long delays put a severe strain on the patience of the Japanese. Army circles in particular were insisting on the immediate settlement of the Nakamura case and demanded satisfactory reparation. The Imperial Ex-Soldiers' Association, amongst others, was instrumental in rousing public opinion.

In the course of September, public sentiment regarding the Chinese questions, with the Nakamura case as the focal point, became very strong. Time and again the opinion was expressed that the policy of leaving so many issues in Manchuria unsettled had caused the Chinese authorities to make light of Japan. Settlement of all pending issues, if necessary by force, became a popular slogan. Reference was freely made in the Press to a decision to resort to armed force, to conferences between the Ministry of War, the General Staff and other authorities for the discussion of a plan with this object, to definite instructions regarding the execution, in case of necessity, of that plan to the Commander-in-Chief of the Kwantung Army and to Colonel Doihara, Resident Officer at Mukden, who had been summoned to Tokyo early in September and who was quoted by the Press as the advocate of a solution of all pending issues, if necessary by force and as soon as possible. The reports of the Press regarding the sentiments expressed by these circles and some other groups point to a growing and dangerous tension.

Chapter IV.

NARRATIVE OF EVENTS IN MANCHURIA ON AND SUBSEQUENT TO SEPTEMBER 18th, 1931.

Situation
immediately
preceding the
outbreak.

(See
Map No. 5*)

In the preceding chapter, the growing tension between the Japanese and Chinese interests in Manchuria was discussed and its effect on the attitudes of the military forces of the two nations described. Certain internal, economic and political factors had undoubtedly for some time been preparing the Japanese people for a resumption of the "positive policy" in Manchuria. The dissatisfaction of the army; the financial policy of the Government; the appearance of a new political force emanating from the army, the country districts and the nationalist youth, which expressed dissatisfaction with all political parties, which despised the compromise methods of Western civilisation and relied on the virtues of Old Japan and which included in its condemnation the self-seeking methods whether of financiers or politicians; the fall in commodity prices,

* Note by the Secretariat: All maps are to be found in the pocket of the Cover.

which inclined the primary producer to look to an adventurous foreign policy for the alleviation of his lot; the trade depression, which caused the industrial and commercial community to believe that better business would result from a more vigorous foreign policy: all these factors were preparing the way for the abandonment of the Shidehara "policy of conciliation" with China which seemed to have achieved such meagre results. This impatience in Japan was even greater among the Japanese in Manchuria, where the tension throughout the summer was increasing. As September wore on, this tension reached such a point that it was apparent to all careful observers that a breaking-point must soon be reached. The public Press of both countries tended rather to inflame than to calm public opinion. Vigorous speeches of the Japanese War Minister in Tokyo, counselling direct action by their army in Manchuria, were reported. Protracted delay by the Chinese authorities in making satisfactory investigation of and redress for the murder of Captain Nakamura had particularly incensed the young officers of the Japanese Army in Manchuria, who clearly showed their sensitiveness to irresponsible remarks and slurs made by equally irresponsible Chinese officers on the streets or in restaurants and other places of close contact. And so the stage was set for the events which followed.

On the morning of Saturday, September 19th, the population of Mukden woke to find their city in the hands of Japanese troops. During the night sounds of firing had been heard, but there was nothing unusual in this; it had been a nightly experience throughout the week, as the Japanese had been carrying out night manoeuvres involving vigorous rifle and machine-gun firing. True that, on the night of September 18th, the booming of guns and the sound of shells caused some alarm to the few that distinguished them, but the majority of the population considered the firing to be merely another repetition of Japanese manoeuvres, perhaps rather noisier than usual.

Appreciating the great importance of this occurrence, which, as will be shown, was the first step of a movement which resulted in the military occupation of practically the whole of Manchuria, the Commission conducted an extensive enquiry into the events of that night. Of great value and interest, of course, were the official accounts of the Japanese and Chinese military leaders involved. The Japanese case was presented by Lieutenant Kawamoto, who is the earliest witness in the story, by Lieutenant-Colonel Shimamoto, the Commanding Officer of the battalion which carried out the attack on the North Barracks (Peitaying), and by Colonel Hirata, who captured the walled city. We also heard evidence from Lieutenant-General Honjo, the Commander-in-Chief of the Kwantung Army, and from several members of his staff. The Chinese case was presented by General Wang I-Cheh, the officer in command of the Chinese troops in the North Barracks, supplemented by the personal narratives of his Chief of Staff and of other officers who were present during the operations. We also heard the evidence of Marshal Chang Hsueh-liang and of his Chief of Staff, General Yung Chen.

According to the Japanese versions, Lieutenant Kawamoto, with six men under his command, was on patrol duty on the night of September 18th, practising defence exercises along the track of the South Manchuria Railway to the north of Mukden. They were proceeding southwards in the direction of Mukden. The night was dark but clear and the field of vision was not wide. When they reached a point at which a small road crosses the line, they heard the noise of a loud explosion a little way behind them. They turned and ran back, and after going about 200 yards they discovered that a portion of one of the rails on the down track had been blown out. The explosion took place at the point of junction of two rails; the end of each rail had been cleanly severed, creating a gap in the

The night of
September
18th-19th.
(See
Map No. 6)

The Japanese
version.

line of 31 inches. On arrival at the site of the explosion, the patrol was fired upon from the fields on the east side of the line. Lieutenant Kawamoto immediately ordered his men to deploy and return the fire. The attacking body, estimated at about five or six, then stopped firing and retreated northwards. The Japanese patrol at once started in pursuit and, having gone about 200 yards, they were again fired upon by a larger body, estimated at between three and four hundred. Finding himself in danger of being surrounded by this large force, Lieutenant Kawamoto then ordered one of his men to report to the Commander of No. 3 Company, who was also engaged in night manoeuvres some 1,500 yards to the north; at the same time, he ordered another of his men to telephone (by means of a box telephone near the spot) to Battalion Headquarters at Mukden for reinforcements.

At this moment the south-bound train from Changchun was heard approaching. Fearing that the train might be wrecked when it reached the damaged line, the Japanese patrol interrupted their engagement and placed detonators on the line in the hope of warning the train in time. The train, however, proceeded at full speed. When it reached the site of the explosion it was seen to sway and heel over to one side, but it recovered and passed on without stopping. As the train was due at Mukden at 10.30 p.m., where it arrived punctually, it must have been about 10 o'clock p.m., according to Lieutenant Kawamoto, when he first heard the explosion.

Fighting was then resumed. Captain Kawashima, with No. 3 Company, having heard the explosion, was already proceeding southwards when he met Lieutenant Kawamoto's messenger, who guided them to the spot. They arrived at about 10.50 p.m. Meanwhile, Lieutenant-Colonel Shimamoto, the Battalion Commander, on receipt of a telephone message, at once ordered the 1st and 4th Companies that were with him at Mukden to proceed to the spot. He also sent orders to the 2nd Company, which was at Fushun — an hour and a-half away — to join them as soon as possible. The two Companies proceeded by rail from Mukden to Liutiaohu Station, and then on foot to the scene of action, where they arrived a little after midnight.

Lieutenant Kawamoto's patrol, reinforced by Captain Kawashima's Company, was still sustaining the fire of the Chinese troops concealed in the tall kaoliang grass, when the two Companies arrived from Mukden. Although his force was then only 500, and he believed the Chinese army in the North Barracks numbered 10,000, Lieutenant-Colonel Shimamoto at once ordered an attack on the Barracks, believing, as he told us, that "offence is the best defence". The ground between the railway and the North Barracks — a distance of about 250 yards — was difficult to cross in mass formation because of patches of water, and, while the Chinese troops were being driven back over this ground, Lieutenant Noda was sent up the railway with a section of the 3rd Company to intercept their retreat. When the Japanese reached the North Barracks, which were described as glittering with electric light, an attack was made by the 3rd Company, which succeeded in occupying a corner of the left wing. The attack was vigorously contested by the Chinese troops within, and there was fierce fighting for some hours. The 1st Company attacked on the right and the 4th Company in the centre. At 5 a.m. the south gate of the Barracks was blown in by two shells from a small cannon left in an outhouse immediately opposite to it by the Chinese, and by 6 o'clock a.m. the entire barracks were captured at the cost of two Japanese privates killed and twenty-two wounded. Some of the barracks caught fire during the fighting; the remainder were burned out by the Japanese on the morning of the 19th. The Japanese stated that they buried 320 Chinese, but only found about 20 wounded.

In the meantime, operations in other places were being carried out with equal rapidity and thoroughness. Colonel Hirata received a telephone message from Lieutenant-Colonel Shimamoto about 10.40 p.m. to the effect that the South Manchuria Railway track had been destroyed by Chinese troops and that he was about to start to attack the enemy. Colonel Hirata approved his action and himself decided to attack the walled city. The concentration of his troops was complete by 11.30 p.m. and his attack commenced. No resistance was offered, only occasional fighting on the streets, mostly with the Chinese police, of whom 75 were killed. At 2.15 a.m. the wall of the city was scaled. By 3.40 a.m. he had captured it. At 4.50 a.m. he received information that the staff of the 2nd Division and a part of the 16th Regiment had left Liaoyang at 3.30 a.m. These troops arrived shortly after 5 a.m. At 6 a.m. the occupation of the eastern wall was completed; the arsenal and aerodrome were captured at 7.30. The East Barracks were then attacked and by 1 p.m. were occupied without fighting. The total casualties in these operations were 7 Japanese wounded and 30 Chinese killed.

Lieutenant-General Honjo, who had only returned from his tour of inspection that very day, received the first news of what was happening at Mukden by telephone from a newspaper agency at about 11 o'clock a.m. The Chief of Staff received a telegraphic report at 11.46 a.m. from the Special Service Station at Mukden, giving details of the attack, and orders were immediately sent to the troops at Liaoyang, Yingkow and Fenghuangsheng to proceed to Mukden. The fleet was ordered to leave Port Arthur and proceed to Yingkow and the Commander-in-Chief of the Japanese Garrison Army in Korea was asked to send reinforcements. Lieutenant-General Honjo left Port Arthur at 3.30 a.m. and arrived at Mukden at noon.

According to the Chinese version, the Japanese attack on the Barracks (Peitaying) was entirely unprovoked and came as a complete surprise. On the night of September 18th, all the soldiers of the 7th Brigade, numbering about 10,000, were in the North Barracks. As instructions had been received from Marshal Chang Hsueh-liang on September 6th¹ that special care was to be taken to avoid any clash with the Japanese troops in the tense state of feeling existing at the time, the sentries at the walls of the Barracks were only armed with dummy rifles. For the same reason, the west gate in the mud wall surrounding the camp which gave access to the railway had been closed. The Japanese had been carrying out night manoeuvres around the barracks on the nights of September 14th, 15th, 16th and 17th. At 7 p.m. on the evening of the 18th, they were manoeuvring at a village called Wenkuan-tun. At 9 p.m., Officer Liu reported that a train composed of three or four coaches, but without the usual type of locomotive, had stopped there. At 10 p.m. the sound of a loud explosion was heard, immediately followed by rifle fire. This was reported over the telephone by the Chief of Staff to the Commanding Officer, General Wang I-Cheh, who was at his private house situated near the railway, about six or seven miles from the barracks, to the south. While the Chief of Staff was still at the telephone, news was brought to him that the Japanese were attacking the barracks and that two sentries had been wounded. At about 11 o'clock p.m., a general attack on the south-west corner of the barracks began, and at 11.30 p.m. the Japanese had effected an entry

The Chinese version.

¹ The text of the telegram shown to the Commission at Peiping was as follows :

"Our relations with Japan have become very delicate. We must be particularly cautious in our intercourse with them. No matter how they may challenge us, we must be extremely patient and never resort to force, so as to avoid any conflict whatever. You are instructed to issue, secretly and immediately, orders to all the officers, calling their attention to this point."

through a hole in the wall. As soon as the attack began, the Chief of Staff gave orders for the lights to be extinguished, and again reported to General Wang I-Chieh by telephone. The latter replied that no resistance was to be offered. Distant artillery fire was heard at 10.30 o'clock p.m. from the south-west and north-west. At midnight, live shells began to fall inside the barracks. On reaching the south gate, the retreating troops of the 621st Regiment found that the Japanese were attacking that gate and that the guard was withdrawing. They accordingly took shelter in some trenches and earthworks until after the Japanese soldiers had passed through into the interior, when they were able to make their escape through the south gate and reached the village of Erhtaitze, to the north-east of the barracks, about 2 a.m. Other troops made their escape through the east gate and the empty barracks just outside the east wall, finally reaching the same village between 3 and 4 a.m.

The only resistance was offered by the 620th Regiment, quartered in the north-east corner building and the second building south of it. The commander of this regiment stated that, when the Japanese troops entered through the south gate at 1 a.m., the Chinese troops withdrew from one building to another, leaving the Japanese to attack empty buildings. After the main body of the Chinese troops had withdrawn, the Japanese turned eastwards and occupied the eastern exit. The 620th Regiment thus found themselves cut off, and had no option but to fight their way through. They started to break through at 5 a.m., but did not get completely clear until 7 a.m. This was the only actual fighting that took place in the barracks and was responsible for most of the casualties. This regiment was the last to reach the village of Erhtaitze.

As soon as they were all assembled, the Chinese troops left the village in the early morning of the 19th for Tungling Station. From here they made their way to a village near Kirin, where they obtained a supply of winter clothing. Colonel Wang was sent to obtain permission from General Hsi Hsia for the troops to enter Kirin City. The Japanese residents at Kirin were so alarmed at the approach of the Chinese soldiers that reinforcements were at once sent from Changchun, Ssuning kai and Mukden to Kirin. Consequently, the Chinese turned back towards Mukden. They left their trains 13 miles outside Mukden, separated into nine groups, and marched round Mukden by night. To escape detection by the Japanese, General Wang I-Chieh himself rode through the town disguised as a peasant. In the morning, the Japanese obtained news of their presence and sent aeroplanes to bomb them. They were obliged to lie hidden by day, but continued their march at night. Eventually they reached a station on the Peiping-Mukden railway, and here they were able to order seven trains, which brought them to Shanhaikwan by October 4th.

Opinion of the Commission.

Such are the two stories of the so-called incident of September 18th as they were told to the Commission by the participants on both sides. Clearly, and not unnaturally in the circumstances, they are different and contradictory.

Appreciating the tense situation and high feeling which had preceded this incident, and realising the discrepancies which are bound to occur in accounts of interested persons, especially with regard to an event which took place at night, the Commission, during its stay in the Far East, interviewed as many as possible of the representative foreigners who had been in Mukden at the time of the occurrences or soon after, including newspaper correspondents and other persons who had visited the scene of conflict shortly after the event, and to whom the first official Japanese account had been given. After a thorough consideration of such opinions, as well as of the accounts of the interested parties, and after a mature study of the considerable quantity of written material and a careful weighing

of the great mass of evidence which was presented or collected, the Commission has come to the following conclusions :

Tense feeling undoubtedly existed between the Japanese and Chinese military forces. The Japanese, as was explained to the Commission in evidence, had a carefully prepared plan to meet the case of possible hostilities between themselves and the Chinese. On the night of September 18th-19th, this plan was put into operation with swiftness and precision. The Chinese, in accordance with the instructions referred to on page 69, had no plan of attacking the Japanese troops, or of endangering the lives or property of Japanese nationals at this particular time or place. They made no concerted or authorised attack on the Japanese forces and were surprised by the Japanese attack and subsequent operations. An explosion undoubtedly occurred on or near the railroad between 10 and 10.30 p.m. on September 18th, but the damage, if any, to the railroad did not in fact prevent the punctual arrival of the south-bound train from Changchun, and was not in itself sufficient to justify military action. The military operations of the Japanese troops during this night, which have been described above, cannot be regarded as measures of legitimate self-defence. In saying this, the Commission does not exclude the hypothesis that the officers on the spot may have thought they were acting in self-defence.

The narrative of the subsequent events must now be resumed.

On the night of September 18th, the Japanese troops in Manchuria were distributed as follows : In addition to the four Companies of the Battalion of Railway Guards which took part in the attack on the North Barracks, and the 29th Regiment of the 2nd Division under Colonel Hirata, which captured the Walled City of Mukden, already described, the rest of the 2nd Division was distributed in various places ; the Headquarters of the 4th Regiment was at Changchun, of the 16th at Liaoyang, of the 30th at Port Arthur ; other parts of these regiments were stationed at Antung, Yingkow, and at many smaller places on the Changchun-Mukden branch and the Antung-Mukden branch of the South Manchuria Railway. Another battalion of Railway Guards was at Changchun, and units of the Railway Guards and Gendarmerie were distributed with the 2nd Division in the smaller places already mentioned. Lastly, there were the garrison troops of Korea.

All the forces in Manchuria, and some of those in Korea, were brought into action almost simultaneously on the night of September 18th over the whole area of the South Manchuria Railway from Changchun to Port Arthur. Their total strength was as follows : 2nd Division, 5,400 men and 16 field-guns ; Railway Guards about 5,000 men ; Gendarmerie about 500. The Chinese troops at Antung, Yingkow, Liaoyang and other smaller towns were overcome and disarmed without resistance. The Railway Guards and Gendarmerie remained in these places, while the units of the 2nd Division at once concentrated at Mukden to take part in the more serious operations. The 16th and 30th Regiments arrived in time to join Colonel Hirata and assisted in the capture of the East Barracks. The 39th Mixed Brigade of the 20th Division (4,000 men and artillery) concentrated at 10 a.m. on the 19th at Shingishu on the Korean frontier, crossed the Yalu river on the 21st, and arrived at Mukden at midnight. From here detachments were sent to Liaoyuan and Hsinmin, which they occupied on the 22nd.

The Chinese Garrisons of Kuanchengtze and Nanling at Changchun, with an estimated strength of 10,000 men and 40 guns, were attacked on the night of September 18th by the 4th Regiment of the 2nd Division and 1st Railway Guard Battalion stationed there (under Major-General Hasebe). Here, however, some resistance was shown by the Chinese. Fighting began at midnight. Nanling barracks were captured by 11 a.m. on the 19th, those of Kuanchengtze by 3 p.m. that day. The total Japanese casualties

Movements of Japanese troops.

Occupation of Changchun on September 18th-19th, and Kirin on September 21st.

involved were 3 officers and 64 men killed and 3 officers and 85 men wounded. As soon as the fighting at Mukden was over, the Regiments of the 2nd Division were concentrated at Changchun, the staff, with General Tamon, the 30th Regiment and one Battalion of Field Artillery arriving on the 20th, and the 15th Brigade under General Amano arriving on the 22nd. Kirin was occupied on the 21st without the firing of a shot, and the Chinese troops were removed to a distance of about 8 miles.

The Herald of Asia, a semi-official Japanese publication of that time, states that all military operations were then regarded as completed, and that no further movements of troops were anticipated. The military operations which in fact ensued are attributed to Chinese provocation: an anti-Japanese demonstration at Chientao on the 20th, the destruction of a railway station at Lungchingtsun, and the explosion of some bombs which did no damage on Japanese premises at Harbin on September 23rd are mentioned as examples of such provocation. Complaint is also made of growing banditry and of the activities of disbanded soldiers. All of these things, it is claimed, finally forced the Japanese to new military operations against their will.

Bombing of
Chinchow.

The first of these operations was the bombing, on October 8th, of Chinchow, to which place the Provincial Government of Liaoning Province had been transferred by Marshal Chang Hsueh-liang at the end of September. According to the Japanese account, the bombing was chiefly directed against the military barracks and the Communications University, where the offices of the Civil Government had been established. The bombing of a civil administration by military forces cannot be justified and there is some doubt whether the area bombed was in fact as restricted as the Japanese allege. Mr. Lewis, an American honorary adviser of the Chinese Government, arrived at Chinchow on October 12th and wrote an account of what he found there to Dr. Koo, who passed on the information later to the Commission in his capacity of Assessor. According to Mr. Lewis, the military barracks were in fact not touched at all and a multitude of bombs fell everywhere in the town, even on the hospital, as well as on the University buildings. The Commander of the bombing-planes informed a Japanese newspaper shortly afterwards that four planes from Changchun were ordered to Mukden at 8.30 a.m. on the 8th. There they joined other planes and a squad of six scouting and five bombing-planes were immediately despatched to Chinchow heavily loaded with bombs and fuel. They arrived at about 1 p.m., within ten to fifteen minutes dropped eighty bombs, and immediately returned to Mukden. The Chinese, according to Mr. Lewis, did not return the fire.

Nonni Bridge
operations.

The next operation was that of the Nonni River Bridges, which started in the middle of October and ended on November 19th with the occupation of Tsitsihar by the Japanese troops. The justification for this given by the Japanese was that they were attacked while repairing the bridge over the Nonni River which had been destroyed by General Ma Chan-shan. But the story must be begun earlier and an explanation given of the destruction of the bridges.

At the beginning of October, General Chang Hai-peng, the Garrison Commander at Taonan, who in former times had held the same rank as Ma Chan-shan and Wan Fu-lin, and had tried to become Governor of Heilungkiang Province in their place, started an advance movement along the Taonan-Angangchi Railway with the obvious object of seizing the Provincial Government by force. It is alleged in the Chinese Assessor's document No. 3, and this view is supported by information from neutral sources, that this offensive was instigated by the Japanese. In order to prevent the advance of Chang Hai-peng's troops, General Ma Chan-shan ordered the destruction of the bridges over the Nonni river and both armies faced each other across the large and swampy valley of that river.

The Taonan-Angangchi Railway had been built with capital supplied by the South Manchuria Railway and the line was pledged as security for the loan. Accordingly, the South Manchuria Railway authorities felt that the interruption to the traffic on this line could not be allowed to continue at a season when the transportation of crops from the north of Manchuria was particularly needed. The Japanese Consul-General at Tsitsihar, on instructions from his Government, requested General Ma Chan-shan, who had arrived at Tsitsihar on October 20th, to have the bridges repaired as soon as possible, but no time-limit accompanied this request. The Japanese authorities believed that General Ma Chan-shan would delay as long as possible the repairing of the bridges, as this interruption helped him to keep General Chang Hai-peng's troops at a distance. On October 20th, a small party of employees of the Taonan-Angangchi Railway and the South Manchuria Railway, without military escort, attempted to inspect the damage to the bridges, and was fired upon by Chinese troops in spite of explanations previously given to an officer of the Heilungkiang Provincial forces. This aggravated the situation and accordingly, on October 28th, Major Hayashi, the representative of General Honjo at Tsitsihar, demanded the completion of the repairs by noon of November 3rd, stating that, if they were not carried out by that date, engineers of the South Manchuria Railway, under the protection of Japanese troops, would take over the work. The Chinese authorities asked for an extension of the time-limit, but no answer was returned to this request and Japanese troops were despatched from Ssuningkai for the purpose of protecting the execution of the repair work.

By November 2nd, the negotiations had not progressed and no decision had been reached. On that day, Major Hayashi delivered an ultimatum to Generals Ma Chan-shan and Chang Hai-peng, demanding that neither of them should use the railway for tactical purposes and that both should withdraw their forces to a distance of 10 kilometres from each side of the river. It was intimated that, if the troops of either of these Generals obstructed the repair of the bridges by the engineers of the South Manchuria Railway, the Japanese would regard them as enemies. The ultimatum was to take effect as from noon of November 3rd, and the Japanese protective detachment was under orders to advance to Tahsing Station, on the north side of the valley, by noon of November 4th. The Chinese Assessor (document No. 3), the Japanese Consul-General at Tsitsihar and various officers of the 2nd Division all concur that General Ma Chan-shan replied that, pending instructions from the Central Government, he provisionally accepted, on his own authority, the Japanese demands. But the Japanese witnesses, on the other hand, added that they did not believe in the sincerity of General Ma, who obviously did not intend to permit the damaged bridges to be quickly or effectively repaired. Twice on November 4th a joint commission, including Major Hayashi, a representative of the Japanese Consul-General, and Chinese officers and civil officials went to the bridges in order to avoid an outbreak of hostilities, and the Chinese delegates asked for a postponement of the Japanese advance. The demand was not complied with, and Colonel Hamamoto, the Commander of the 16th Infantry Regiment, in compliance with his orders, advanced to the bridges with one battalion of his regiment, two companies of field artillery and one company of engineers, to begin the repair work in accordance with the terms of the Japanese ultimatum. The engineers, under the command of Captain Hanai, started work on the morning of November 4th, and one infantry company, with two Japanese flags, began its advance to Tahsing Station by noon of that day.

Hostilities actually began during the second attempt of the above-mentioned mixed commission, which went to the spot early in the afternoon of the 4th in order to make a last attempt to secure the withdrawal of the

Chinese troops. As soon as firing began, Colonel Hamamoto realised that his men were in a very difficult position and went immediately to their support with whatever troops he had available. A rapid reconnaissance convinced him that a frontal attack was impossible on account of the swampy ground, and that nothing but an encircling movement against the left wing of the opposing force would help him out of this difficult situation. Accordingly, he despatched his reserve companies to attack the hill on which the left wing of the opposing forces rested, but the small number of his forces and the impossibility of bringing his guns near enough for action prevented him from gaining the position before nightfall. The hill was captured by 8.30 p.m., but no further advance was possible on that day.

The Kwantung Army Headquarters, on receiving a report of the position, immediately despatched strong reinforcements, and another battalion of infantry arrived during the night, enabling the Colonel to re-open his attack at dawn of November 5th. Even then, after a couple of hours and reaching the first Chinese position, he found himself confronted with a strong line of trenches, defended, according to his own statement to the Commission, with about seventy automatic and machine-guns. His attack was held up, and his troops suffered heavy losses as a result of a Chinese encircling counter-attack executed by infantry and cavalry men. The Japanese troops were forced to retire and for the second time they could do nothing but hold their position until nightfall. During the night of November 5th-6th, two fresh battalions arrived. This relieved the situation, and a renewed attack on the morning of the 6th rolled up the entire Chinese front, and brought Tahsing Station into the hands of the Japanese troops by noon. As Colonel Hamamoto's mission was only to occupy Tahsing Station in order to cover the repair work of the bridges, no pursuit of the retreating Chinese troops was made, but the Japanese troops remained in the vicinity of the station.

The Chinese Assessor, in the same document No. 3, alleges that Major Hayashi, on November 6th, made a new request to the Heilungkiang Government, asking (1) that General Ma Chan-shan should resign from the Governorship in favour of General Chang Hai-peng, and (2) that a public safety committee should be organised. A photograph of Major Hayashi's letter containing these requests was shown to the Commission. This document further states that, on the following day, without waiting for a reply, the Japanese troops began a new attack on the provincial forces now stationed at Sanchienfang, about 20 miles north of Tahsing, and that, on November 8th, Major Hayashi sent another letter repeating the demand for General Ma Chan-shan's retirement from the Governorship of the province in favour of General Chang Hai-peng, and for a reply before midnight of that day. On November 11th, the Chinese account continues, General Honjo himself asked by telegram for General Ma Chan-shan's retirement, the evacuation of Tsitsihar, and the right for the Japanese troops to advance to Angangchi Station, again requiring a reply before nightfall of that day. On November 13th, Major Hayashi increased the third demand to one for the Japanese troops to occupy, not only Angangchi Station, but Tsitsihar Station as well. General Ma Chan-shan pointed out in reply that Tsitsihar Station had nothing to do with the Taonan-Angangchi Railway.

On November 14th and 15th, the Japanese combined forces renewed their attack with the support of four aeroplanes. On November 16th, General Honjo demanded the retreat of General Ma Chan-shan to the north of Tsitsihar, the withdrawal of Chinese troops to the north of the Chinese Eastern Railway, and an undertaking not to interfere in any way with the traffic and operation of the Taonan-Angangchi Railway, these demands to be carried out within ten days from November 15th, and a reply to be sent to the Japanese Special Bureau at Harbin. When General Ma Chan-shan declined to accept these terms, General Tamon began a

new general attack on November 18th. General Ma Chan-shan's troops retreated, first to Tsitsihar, which was taken by the Japanese on November 19th, and then to Hailun, to which place the administrative offices of the Government were removed.

According to the evidence of Japanese Generals commanding on the spot, the new operations did not begin before November 12th. General Ma Chan-shan at that time had gathered about 20,000 of his troops to the west of Sanchienfang, and even sent for the land colonisation troops in Heilungkiang Province and the forces of General Ting Chao. Against these large forces, which showed an increasingly threatening attitude, the Japanese could oppose only the now concentrated division of General Tamon, consisting of two brigades under Generals Amano and Hasabe. In order to relieve this tense situation, General Honjo demanded, on November 12th, that all Heilungkiang troops should retire to the north of Tsitsihar and that his troops should be allowed to proceed northward for the protection of the Taonan-Angangchi Railway. The advance did not begin before November 17th, when the Chinese sent cavalry troops around the right flank of the Japanese and attacked them. General Tamon informed the Commission that, in spite of his small strength of 3,000 infantrymen and 24 field-guns, he ventured to attack the Chinese forces and completely defeated them on November 18th, with the result that Tsitsihar was occupied on the morning of the 19th. One week later, the 2nd Division returned to its original quarters, leaving General Amano with one infantry regiment and one battery of artillery at Tsitsihar to hold the place against General Ma Chan-shan's troops. This small Japanese force was subsequently reinforced by the newly-formed "Manchukuo" troops, but these new troops, at the time of our visit to Tsitsihar in May 1932, were not yet considered capable of fighting the forces of General Ma Chan-shan.

The attached Map No. 7 (Military Situation Chart) shows the distribution of regular troops of both sides at the time of the first resolution of the Council. No account is taken of disbanded soldiers and bandit groups which, at that time, specially infested the areas east and west of the Liao River and the Chientao district. Both the parties have accused each other of purposely instigating banditry — the Japanese attributing to the Chinese the motive of wishing to create disorder in the lost parts of Manchuria, and the Chinese suspecting the Japanese of wishing to find pretexts for occupying the country and still further extending their military operations. The strength and military value of these gangs are so vague and changeable that it would not be possible to insert an accurate estimate of their significance into the picture of the military situation. The chart shows that the Command of the North-Eastern troops had succeeded in organising a force of considerable strength in the south-western part of Liaoning Province. These troops had been able to construct a strongly entrenched position on the right bank of the Taling River very close to the foremost Japanese outposts. Such a situation may well have caused the Japanese military authorities some anxiety, as they estimated the total strength of these regular troops at 35,000 men, or about double the total admitted strength of their own forces in Manchuria at that moment.

This situation was relieved by action taken in consequence of certain events which occurred at Tientsin during the month of November. Reports as to the origin of the trouble differ widely. There were two outbreaks, on November 8th and 26th, respectively, but the whole affair is extremely obscure.

According to the Japanese account in the *Herald of Asia*, the Chinese population at Tientsin was divided between those who supported and those who opposed Marshal Chang Hsueh-liang, and the latter organised forces to create a political demonstration in the Chinese city by attacking the guardians of public order on November 8th. In this dispute between

(See
Map No. 7)

The Tientsin
incident.

Outbreak of
November 8th:
Japanese
version.

two Chinese factions, the Commander of the Japanese garrison observed strict neutrality from the beginning, but was forced to open fire when Chinese guards in the vicinity of the Japanese Concession began to shoot indiscriminately into his district. His demand that the combating Chinese forces should keep at 300 yards distance from the border of the Concession did not relieve the situation, which grew so tense that, on November 11th or 12th, all foreign garrisons mounted guard.

Chinese version.

The account given by the Municipal Government of Tientsin is very different. They assert that the Japanese employed Chinese ruffians and Japanese plain-clothes men, who were formed into operating gangs within the Japanese Concession, in order to start trouble in the Chinese city. Their police authorities, being timely informed by agents of this situation, were able to repulse the disorderly bands emerging from the Japanese Concession. They say that, from the confession of arrested members of these gangs, they are able to prove that the riot was organised by the Japanese and that the men were armed with guns and ammunition of Japanese make. They admit that the Japanese garrison Commander complained on the morning of the 9th that some of his men had been wounded by stray bullets and that he had asked for a withdrawal to a distance of 300 yards, but they assert that, in spite of their acceptance of these conditions, the Japanese regular troops attacked the Chinese city with armoured cars and shelled it.

The account of the Municipal Government further states that, on November 17th, an agreement was reached which fixed the details for the withdrawal to a distance of 300 yards, but it asserts that the Japanese did not carry out their part of the agreement, and that consequently the situation grew worse.

On November 26th, a terrific explosion was heard, immediately followed by firing of cannon, machine-guns and rifles. The electric lights in the Japanese Concession were put out, and plain-clothes men emerged from it attacking the police stations in the vicinity.

Outbreak of November 26th : Conflicting accounts.

The Japanese account of this later disturbance as given in the *Herald of Asia* is to the effect that, on the 26th, the situation had become so much better that their volunteer corps was disbanded and that, on the same evening, the Chinese opened fire on the Japanese barracks, and as the fire, in spite of their protests, did not stop until noon of the 27th, they had no choice but to accept the challenge and to fight the Chinese. The battle went on until the afternoon of the 27th, when a peace conference was held. On that occasion, the Japanese demanded the immediate cessation of hostilities and the withdrawal of Chinese troops and police forces to a distance of 20 Chinese li from all places where foreign troops were stationed. The Chinese agreed to withdraw their soldiers, but not their police forces, which were alone responsible for the safety of foreigners in that district. The Japanese say that, on November 29th, the Chinese offered their withdrawal from the neighbourhood of the Concession ; their offer was accepted ; the Chinese armed police withdrew on the morning of the 29th and the defence work was removed on the 30th.

Effect of the Tientsin disturbances on the situation in Manchuria.

The threatening situation at Tientsin on the 26th caused the staff officers of the Kwantung Army to propose to the Commander an immediate expedition of troops via Chinchow and Shanhaikwan to reinforce the endangered small force at Tientsin. As a mere transport problem it would have been easier and quicker to despatch reinforcements by sea via Dairen. But considered strategically, the suggested route had this advantage, that it would enable the advancing troops to dispose *en route* of the very inconvenient Chinese concentration around Chinchow. It was assumed that the delay in taking this route would not be long, as little or no resistance from the Chinese was anticipated. The suggestion was approved, and one armoured train, one troop train, and a couple of aeroplanes crossed the Liao River on November 27th, and their attack on the first Chinese outposts was sufficient

to initiate a retreat of the Chinese troops from their entrenched position. The armoured-car corps also changed its position. A shade of resistance led the Japanese to reinforce their strength by more armoured trains, infantry trains, and artillery. They also repeatedly threw bombs on Chinchow, but news of the improved situation at Tientsin soon deprived the expedition of its original objective and, on November 29th, to the great surprise of the Chinese, the Japanese forces were withdrawn to Hsinmin.

Another consequence of the earlier disturbances at Tientsin was that the former Emperor, who had been living in the Japanese Concession there, sought a safer refuge at Port Arthur on November 13th, after a talk with Colonel Doihara.

The districts evacuated by the Japanese were re-occupied by the Chinese troops, and this fact was widely advertised. Chinese *morale* was slightly raised ; and the activities of irregular forces and bandits increased. Profiting by the winter season, they crossed the frozen Liao River at many points and raided the country around Mukden. The Japanese military authorities realised that, even to maintain their existing positions, reinforcements would be necessary, and with these reinforcements they hoped to be able to get rid of the menace of the Chinese concentration at Chinchow.

Meanwhile, the situation in Manchuria was a subject of further discussion in Geneva. When accepting the resolution on December 10th, the Japanese delegate stated that his acceptance " was based on the understanding that this paragraph (No. 2) was not intended to preclude the Japanese forces from taking such action as might be necessary 'to provide directly for the protection of the lives and property of Japanese subjects against the activity of bandits and lawless elements rampant in various parts of Manchuria'. Such action was admittedly 'an exceptional measure called for by the special situation prevailing in Manchuria', and its necessity would end when normal conditions should be restored there ". To that the Chinese representative replied " that the injunction to the parties not to aggravate the situation should not be violated under the pretext of the existence of lawlessness caused by the state of affairs in Manchuria ", and several Council members taking part in the discussion admitted that " circumstances might arise there causing danger to Japanese lives and property and in such an emergency it might be inevitable that Japanese forces in the neighbourhood should take action ". When this matter has been referred to by Japanese officers who have given evidence before the Commission, it has been usually asserted that the resolution of December 10th " gave Japan the right to maintain her troops " in Manchuria, or made the Japanese Army responsible for the suppression of banditry there. In describing the subsequent operations, they assert that, while executing this right against the bandit forces near the Liao River, they incidentally came in conflict with the remaining Chinese forces near Chinchow, which were in consequence withdrawn within the Great Wall. The fact remains that, having made their reservation at Geneva, the Japanese continued to deal with the situation in Manchuria according to their plans.

The 2nd Division, with the exception of its garrison at Tsitsihar, was concentrated west of Mukden. Reinforcements soon began to arrive ; the 4th Brigade of the 8th Division ¹ between December 10th and 15th. On December 27th, Imperial sanction was obtained for the despatch of the Staff of the 20th Division and another brigade from Korea. Changchun and Kirin were for the time being only protected by Independent Railway Guards.

As a Japanese advance on Chinchow was imminent, the Chinese Minister for Foreign Affairs made an attempt to prevent further fighting by offering to withdraw the Chinese troops to within the Great Wall, provided that three or

¹ All the statements here given concerning numbers of units and strength of the Japanese forces are based on official Japanese information.

The occupation of Chinchow.

Japanese reservation when accepting the resolution of the Council on December 10th.

Arrival of reinforcements. (See Map No. 8.)

Abortive negotiations for the withdrawal of Chinese troops.

four foreign Powers were willing to guarantee the maintenance of a neutral zone north and south of Chinchow. Nothing came of the proposal. Meanwhile, conversations were initiated between Marshal Chang Hsueh-liang and the Japanese Chargé d'Affaires at Peiping, but these too were abortive for different reasons. The Chinese allege in their document No. 3, Annex E, that, at each successive visit, on December 7th, 25th and 29th, the Japanese delegate increased his demands concerning the Chinese retreat, and his promises with regard to the restraint of the Japanese troops became more and more vague. The Japanese, on the other hand, claim that the Chinese promises to withdraw were never sincere.

**Attack on
Chinchow.**

The concentrated attack of the Japanese forces began on December 23rd, when the 19th Chinese Brigade was forced to give up its position. From that day, the advance continued with perfect regularity and hardly met with any resistance at all, the Chinese Commander having given out a general order to retreat. Chinchow was occupied on the morning of January 3rd and the Japanese forces continued their advance right up to the Great Wall at Schanhaikwan, where they established a permanent contact with the Japanese garrison in that place.

The complete evacuation of Manchuria by the troops of Marshal Chang Hsueh-liang, practically without striking a blow, was not unconnected with the internal conditions of China south of the Wall. Reference has been made in an earlier chapter to the feuds between rival Generals and it must be remembered these feuds had not ceased.

**The
occupation of
Harbin.**

The comparative ease with which the offensive down to Shanhaikwan was carried out enabled the Japanese to release some of their troops from their original positions and make them available for advances in other directions. The main force of the 2nd Division, which had done nearly all the fighting so far, returned to their quarters at Liaoyang, Mukden, and Changchun for a rest. On the other hand, the increased length of railway line to be protected against possible bandit raids at any point necessitated the use of a large number of troops the fighting strength of which was diminished by their distribution over such wide areas. The two brigades under the command of the Staff of the 20th Division were left for this purpose in the newly occupied zone, and the 4th Brigade of the 8th Division joined them more to the north. The Japanese military authorities assured us that, within these well-guarded areas, a state of law and order was soon established and that banditry was practically extinguished on both sides of the Liao River during the following weeks. This statement was made to us in the month of June, but, at the moment of writing this Report, we read of vigorous raids from volunteer troops on Yingkow and Haicheng, with threats even to Mukden and Chinchow.

The district which, at the beginning of this year, gave more trouble than any other was that north and east of Harbin, to which the remaining followers of the two former Provincial Governments of Kirin and Heilungkiang had withdrawn. The Chinese Generals in this northern sector seemed to have maintained some contact with Headquarters at Peiping, whence they received some support from time to time. The advance on Harbin began, as that on Tsitsihar had done, by an encounter between two Chinese forces. General Hsi Hsia at the beginning of January prepared for an expedition to the North with the view to occupying Harbin. Between him and that city were Generals Ting Chao and Li Tu, with what are described as anti-Kirin forces. According to information provided by the Japanese Assessor, when our preliminary report was under consideration, satisfactory terms would have been arranged by negotiation between the parties had it not been for the influence of the authorities at Peiping. Negotiations were in fact initiated and, while they were being carried on, General Hsi Hsia advanced with his troops as far as Shuangchong, which they reached on January 25th, but, when it came to serious fighting on

the following morning in the immediate neighbourhood south of the city, the advance was at once checked. The situation thus created was felt by the Japanese to be full of danger for the large Japanese and Korean colonies at Harbin. Fighting between two more or less irregular Chinese forces in the immediate neighbourhood would have resulted in the retreat on the town of a defeated army, the horrors of which the recent history of China provides so many examples. Urgent appeals were therefore sent to the Kwantung Army, even Chinese merchants, so the Japanese assert, joining in the appeal from fear that their property might be looted.

Colonel Doihara, now General, who, in this emergency, was sent to Harbin on the 26th in order to take over the office of the special Japanese service there, told the Commission that the fighting between the two Chinese forces around Harbin continued for about ten days, and that there was great anxiety for the 4,000 Japanese residents, who mostly lived in a menaced area, together with 1,600 Koreans in the Chinese suburb of Fuchiatien, who were exposed to the danger of massacre. In spite of the fact that the anti-Kirin forces held the town during ten days of continual fighting, the casualties among the Korean and Japanese residents were comparatively few. The latter organised themselves into armed volunteer bands and helped their nationals to escape from the Chinese suburb. One Japanese and three Koreans are said to have been killed while trying to escape. In addition, one of the Japanese aeroplanes, sent to reconnoitre the threatening situation, was forced to land owing to engine trouble and its occupants are said to have been killed by Ting Chao's troops.

These two incidents decided the Japanese military authorities to intervene. Again the 2nd Division was called upon to help its endangered countrymen. But this time the problem was not so much one of fighting as of transportation, the railing north of Changchun being a joint Sino-Russian undertaking. As the rolling-stock of the southern branch of the Chinese Eastern Railway was greatly depleted, the Commander of the 2nd Division decided to send, in the first instance, only General Hasebe and two infantry battalions. Negotiations with the railway authorities were started, but, when these seemed likely to be long drawn out, the Japanese officers decided to enforce the transport of their troops. The railway authorities protested and refused to work the trains, but, in spite of their opposition, the Japanese military authorities succeeded on the night of January 28th in forming three military trains, which went as far north as the second Sungari bridge, which they found damaged by the Chinese forces. As the repairs were made on the 29th, Shuangcheng was reached on the afternoon of January 30th. Early on the following morning, and still under cover of darkness, the small Japanese force was attacked by Ting Chao's troops and severe fighting took place, resulting in the repulse of the Chinese, but no further progress was possible that day. By that time, the Soviet and Chinese railway authorities had agreed that the transport of Japanese troops on the Chinese Eastern Railway would be allowed, on the understanding that they were proceeding with the sole object of giving protection to the Japanese residents at Harbin. The fares of the troops were paid for in cash. On February 1st, the Japanese troops began to arrive and the main force of the 2nd Division was concentrated near Shuangcheng on the morning of February 3rd. Reinforcements were even called upon from Tsitsihar, where, as will be remembered, a part of the 2nd Division had remained since November 19th. But many difficulties had still to be overcome, as the line between Harbin and Tsitsihar was cut by the Chinese, who, at the same time, attacked detachments of the Independent Railway Guards on the southern branch of the Chinese Eastern Railway at different places.

On February 3rd, the anti-Kirin troops, now estimated to have a total strength of about 13,000 to 14,000 soldiers with 16 guns, had taken up an

Further
Japanese
military
operations up
to the end of
August 1932.
(See Maps
Nos. 9 and 10.)

entrenched position along the southern boundary of the city. The 2nd Division began to advance against this position on the same day, reaching the Weitangkou (Nanchengtze) River, about 20 miles north of Shuangcheng, on the night of February 3rd-4th. Fighting commenced on the following morning. On the evening of the 4th, the Chinese position was partly taken by the Japanese troops, and by noon of the 5th a final decision was reached. Harbin was occupied on the afternoon of the same day, and the Chinese withdrew in the direction of Sanhsing.

The successful attack of the 2nd Division brought the town of Harbin into the hands of the Japanese authorities, but, as it was not immediately followed by any pursuit of the retiring Chinese forces, little change was produced on the situation in Northern Manchuria as a whole. The railways north and east of Harbin and the important waterway of the Sungari River still remained under the control of the anti-Kirin troops and those of Ma Chan-shan. The arrival of further reinforcements, repeated expeditions to the east and north and six months of fighting took place before the occupied area was extended as far as Hailun in the north and the districts of Fangchung and Hailin in the east. According to Japanese official statements, the anti-Kirin troops, with those of General Ma Chan-shan, were completely routed, but, according to official Chinese sources, they are still in existence. Although reduced in their fighting strength, they continually hamper the Japanese forces, at the same time avoiding actual encounters in the open field. According to newspaper information, both the eastern and western branches of the Chinese Eastern Railway are still being attacked and damaged at different places between Harbin and Hailin.

The Japanese operations since the beginning of February may be summarised as follows :

Towards the end of March, the main part of the 2nd Division left Harbin in the direction of Fangcheng in order to suppress the anti-Kirin troops of Generals Ting Chao and Li Tu. The Division advanced as far as the region of Sanhsing and returned to Harbin in the earlier part of April. By that time, the 10th Division had arrived at Harbin and took over the sector from the 2nd Division. This unit was engaged for about a month in constant fighting against the anti-Kirin troops with the greater part of its forces in the district near Sanhsing and with a minor detachment along the eastern branch of the Chinese Eastern Railway, in the direction of Hailin.

In the earlier part of May, the Japanese forces in the north of Manchuria were further reinforced by the 14th Division. A detachment of this unit took part in the fighting against the anti-Kirin forces and advanced as far as the valley of Mutan River, south of Sanhsing, forcing the opposing troops to withdraw to the most eastern corner of Kirin Province. But the main operations of the 14th Division, which began in the latter part of May, took place in the region north of Harbin and were directed against the troops of General Ma Chan-shan. The 14th Division carried out its main attack to the north of Harbin, along the Hulan-Hailun Railway, and, with minor forces to the east of Koshan, the proposed terminus of the Tsitsihar-Koshan Railway. The Japanese claim that, during the earlier part of August, the troops of General Ma Chan-shan were again effectively routed and that they have strong evidence that the General himself was killed. The Chinese assert that the General is still alive. In this action, cavalry newly arrived from Japan likewise took part.

During the month of August, several minor engagements took place on the borders of Fengtien and Jehol Provinces, mainly near the Chinchow-Peipiao branch line (of the Peiping-Mukden Railway), which is the only means of access to Jehol by railway. There are widespread fears in China that these events are only a prelude to larger military operations at an early date, aimed at the occupation of Jehol by the Japanese. The main lines

of communication which still exist between China Proper and the Chinese forces in Manchuria run through Jehol, and the fear of a Japanese attack in this province, which is already claimed as part of the territory of " Manchukuo ", is not unreasonable. Its imminence is freely discussed in the Japanese Press.

The Japanese version of the recent events submitted to the Commission by the Japanese Assessor is as follows :

An official attached to the Kwantung Army Headquarters named Ishimoto was kidnapped by Chinese " volunteers " on July 17th from a train travelling between Peipiao and Chinchow, within the boundaries of the Province of Jehol. A small detachment of Japanese infantry with light artillery made an immediate attempt to rescue him, but failed in their purpose, and the result was the occupation of a village on the frontier of Jehol by Japanese troops.

During the latter part of July and in August, Japanese aeroplanes demonstrated several times over this part of Jehol and dropped some bombs, but " uninhabited areas outside the villages " were carefully selected. On August 19th, a Japanese staff officer was sent to Nanling, a small town situated between Peipiao and the provincial boundary to negotiate for the release of Mr. Ishimoto. On his return journey with a small infantry detachment, he was fired upon. In self-defence the fire was returned and, on the arrival of another infantry detachment, Nanling was occupied but evacuated on the following day.

Through the Chinese Assessor, extracts were submitted to the Commission from the reports of General Tang Yu-ling, the Governor of the Province of Jehol. These reports claim that fighting on a much larger scale took place, and that a Chinese battalion of railway guards was in action against a superior number of Japanese infantry, supported by two armoured trains. They claim that the bombing referred to by the Japanese was directed against Chaoyang, one of the larger towns in that region, and that, as a result, 30 casualties were caused among both military and civilians. The Japanese offensive was resumed on August 10th, when an armoured train attacked Nanling.

The information given by the Japanese Assessor concludes by stating that, although the maintenance of order in Jehol is " a matter of internal policy for Manchukuo, Japan cannot be indifferent to the situation in that region in view of the important role played by Japan in the maintenance of peace and order in Manchuria and Mongolia, and that any disorders in Jehol would immediately produce very serious repercussions throughout Manchuria and Mongolia ". General Tang Yu-ling concludes his report by stating that all possible measures were being taken to offer effective resistance should the Japanese attacks be renewed.

From these communications, it seems that an extension of the area of conflict in this region is a contingency which must be reckoned with.

Although the main Chinese Army was withdrawn within the Great Wall at the end of 1931, the Japanese continued to meet with opposition of an irregular kind in different parts of Manchuria. There have been no further battles such as occurred on the Nonni River, but fighting has been constant and widely dispersed. It has been the practice of the Japanese to describe indiscriminately as " bandits " all the forces now opposed to them. There are, in fact, apart from bandits, two distinct categories of organised resistance to the Japanese troops or to those of " Manchukuo " — namely, the regular and irregular Chinese troops. It is extremely difficult to estimate the number of these two and, as the Commission was not able to meet any of the Chinese Generals still in the field, it is necessary to make reservations with regard to the reliability of the information given below. Chinese authorities are naturally reluctant to give away exact information about such troops as are still offering resistance to the Japanese in Manchuria.

Nature of
resistance
offered by the
Chinese.

Remnants of
the original
North-Eastern
Armies.

Japanese authorities, on the other hand, are disposed to minimise the numbers and fighting value of the forces still opposed to them.

The remnants of the original North-Eastern Armies are to be found exclusively in the provinces of Kirin and Heilungkiang. The re-organisation of troops which took place around Chinchow late in 1931 was not of long duration, because all those units were subsequently withdrawn inside the Great Wall. But the regular Chinese troops, which, before September 1931, were stationed in the Sungari region and along the Chinese Eastern Railway, have never been seriously engaged with the Japanese troops, and continue to carry on a guerilla warfare which has given, and still gives, much trouble to the Japanese and "Manchukuo" forces. The Generals Ma Chan-shan, Ting Chao and Li Tu have acquired great fame throughout China as leaders of these troops. All three are former brigade-generals in command of railway guards or garrison troops in North Manchuria. Probably the greater part of the troops under their command remained faithful to their respective leaders and the cause of China after the destruction of the Young Marshal's regime. The strength of General Ma's troops cannot easily be determined, because, as will be remembered, this General changed his allegiance.

As Governor of Heilungkiang Province, he was in command of all the provincial troops, the number of which was given to us as seven brigades in all. Since the month of April, he has definitely taken up a position against Japan and "Manchukuo". The number of troops at his disposal between Hulan River, Hailun and Taheiho is estimated by Japanese authorities as six regiments, or between 7,000 and 8,000 men. Generals Ting Chao and Li Tu control six old brigades of Chang Hsueh-liang's Army, and have since raised in the country three additional brigades. Their total strength at the time of our Preliminary Report was estimated by Japanese authorities at about 30,000; but it is very probable that the troops of General Ma Chan-shan, as well as those of Generals Ting Chao and Li Tu, have considerably diminished in number since the month of April and are now below the estimated figure. Both units, as will be seen later on, have suffered a great deal from concentrated attacks of regular Japanese troops since the occupation of Harbin. At present, they seem unable to hinder any operation by the Japanese troops and carefully avoid meeting them in the open field. The use of aeroplanes by the Japanese and the complete absence of this weapon on the other side account for the greater part of such losses as they have sustained.

Irregular
forces.
Volunteers.

When considering the irregular forces, it is necessary to distinguish between the different volunteer forces in Kirin Province co-operating with the Armies of Generals Ting Chao and Li Tu. In our Preliminary Report of April 29th, 1932, we mentioned, on page 5, under the heading "Volunteers", three different volunteer armies and several minor corps, one of the latter between Tunhua and Tienpaoshan remaining in touch with these regular troops of Generals Ting Chao and Li Tu. Owing to the absence of railways and other means of communication in those districts, this corps still keeps the same position. Its Chief, Wang Teh-ling, united different "anti-Manchukuo" forces and kept them firmly under his command. Though this force may be of small significance compared with Japanese troops (which hardly exhibit any activity to the east of Tunhua), it seems well able to hold its own against the "Manchukuo" troops and maintains its position in a considerable part of Kirin Province. No evidence is available concerning the present activity of the "Big Sword Society" which, while keeping in touch with Wang Teh-ling, created considerable disturbance in the Chientao district. On the other hand, no action of importance has been undertaken against it by Japanese troops.

An official Japanese document has been submitted to the Commission enumerating a large number of so-called route-armies and other Chinese

units, each containing not more than 200 to 400 men, which form the subdivisions of the volunteer armies. Their field of activity extends to the areas around Mukden and the Antung-Mukden Railway, to Chinchow and the boundary between Jehol and Fengtien Provinces, to the western branch of the Chinese Eastern Railway and to the district between Hsinmin and Mukden. Thus the area covered by these volunteers and the anti-Kirin forces combined comprises the greater part of Manchuria.

In the middle of August, fighting broke out in the immediate neighbourhood of Mukden, at different places of the southern part of the South Manchuria Railway, especially at Haicheng and at Yingkow. On several occasions, the Japanese troops have found themselves in a difficult position, but nowhere have the volunteers succeeded in attaining a victory of any importance. It seems doubtful whether any change in the general situation in Manchuria is to be anticipated in the near future, but, at the time of the completion of our Report, fighting continues over a wide area.

As in China, banditry has always existed in Manchuria. Increasing or diminishing in numbers in relation to the activity or the weakness of the Government, professional bandits are to be found in all parts of the Three Provinces and their services were often employed by different parties for political purposes. The Chinese Government has presented to the Commission a document stating that, during the last twenty or thirty years, Japanese agents to a great extent instigated bandits to serve their political interests. A passage from the "Second Report of Progress of Manchuria to 1930", published by the South Manchuria Railway, is quoted in this document to the effect that, within the railway area alone, the number of cases of banditry had increased from 9 cases in 1906 to 368 in 1929. According to the Chinese document quoted above, banditry has been encouraged by the smuggling of arms and munitions on a large scale from Dairen and the Kwantung Leased Territory. It is asserted, for instance, that the notorious bandit chief, Lin Yin-shin, was provided in November last with arms, munitions and other means in order to establish the so-called Independent Self-Defence Army which was organised with the help of three Japanese agents and destined to attack Chinchow. After the failure of this attempt, another bandit chief got Japanese help for the same purpose, but fell into the hands of the Chinese authorities with all his material of Japanese origin.

Japanese authorities, of course, see the state of banditry in Manchuria in quite a different light. According to them, its existence is due exclusively to the inefficiency of the Chinese Government. They allege also that Chang Tso-lin, to a certain extent, favoured the existence of bandit gangs in his territory, because he thought that, in time of need, they could easily be converted into soldiers. The Japanese authorities, while admitting the fact that the complete overthrow of Chang Hsueh-liang's Government and Army greatly added to the number of bandits in the country, claim that the presence of their troops in the country will enable them to wipe out the principal bandit units within from two to three years. They hope that the organisation of "Manchukuo" police and of self-defence corps in each community will help to put an end to banditry. Many of the present bandits are believed to have been peaceful citizens who, on account of the complete loss of their property, were induced to take up their present occupation. Given the opportunity of resuming the occupation of farming, it is hoped that they will return to their former peaceful mode of life.

(See
Map No. 6.)

Bandits.

Chapter V.

SHANGHAI.

The
Shanghai
affair.
(See Map
No. 11.)

At the end of January, fighting broke out at Shanghai. The story of that affair has already been told in its broad outlines down to February 20th by the Consular Committee appointed by the League. The fighting was still in progress when the Commission arrived at Tokyo on the 29th, and several discussions took place with members of the Japanese Government on the origin, motives and consequences of their armed intervention in this place. When we reached Shanghai, on March 14th, the fighting was over, but the negotiations for an armistice were proving difficult. The arrival of the Commission at this moment was opportune, and may have helped to create a propitious atmosphere. We were able to appreciate the tense feeling which had been created by the recent hostilities and to obtain an immediate and vivid impression both of the difficulties and of the issues involved in this controversy. The Commission was not instructed to continue the work of the Consular Committee or to make a special study of the recent events there. In fact, we were informed by the Secretary-General of the League of Nations that the Chinese Government had expressed themselves as opposed to any suggestion that the Commission should delay its journey to Manchuria for the purpose of studying the situation at Shanghai.

We heard the views of both the Chinese and the Japanese Governments on the Shanghai affair, and were the recipients of a large amount of literature from both sides on the subject. We also visited the devastated area and heard statements from Japanese naval and military officers on the recent operations. In an individual capacity, too, we had conversations with the representatives of many shades of opinion on matters which were fresh in the memory of everyone living in Shanghai. But we did not, as a Commission, officially investigate the Shanghai affair and therefore express no opinion upon the disputed points connected with it. We shall, however, for purposes of record, complete the story of the operations from February 20th until the final withdrawal of the Japanese troops.

The last report of the Consular Committee ended, it will be remembered, by stating that the Japanese, on February 20th, opened a new attack in the Kiangwan and Woosung areas. This attack brought no marked success to the Japanese troops, despite the fact that it was continued on the following days, but it enabled them to learn that parts of the so-called Chinese Bodyguard Army — viz., the 87th and 88th Divisions — were now fighting against them as well as the 19th Route Army. This fact, together with the difficulties which the nature of the country presented, decided the Japanese to reinforce their troops by two more divisions — namely, the 11th and 14th.

On February 28th, the Japanese troops occupied the western part of Kiangwan, which had been evacuated by the Chinese. On the same day, the Woosung fort and fortifications along the Yangtze River were again bombed from the air and from the sea, and bombing-planes operated over the whole front, including the aerodrome at Hungjao and the Nanking Railway. General Shirakawa, who was appointed to the supreme command of the Army, arrived in Shanghai on February 29th. From this date onwards the Japanese Headquarters announced substantial progress. In the district of Kiangwan they advanced slowly, and the Naval Headquarters stated that the opposing forces at Chapei showed signs of giving way as a consequence of the daily bombardment. On the same day, the aerodrome

Narrative of
events at
Shanghai from
February 20th
onwards.
(See Map
No. 12.)

at Hangchow, which is 100 miles distant from Shanghai, was bombed from the air.

On March 1st, as the frontal attack had advanced but slowly, the Japanese Army Commander initiated a wide enveloping movement by landing the main force of the 11th Division at some distance on the right bank of the Yangtze River, in the vicinity of Tsiyakow, for the purpose of making a surprise attack on the left flank of the Chinese Army. The manœuvre was successful in compelling an immediate retreat of the Chinese forces beyond the 20-kilometre limit originally asked for in the Japanese Commander's ultimatum of February 20th. Woosung fort had been evacuated by the Chinese troops when, on March 3rd, it was entered by the Japanese troops after many aerial and naval bombardments. On the previous day, bombing operations had been extended as far as 7 kilometres east of Quinsan Station on the Shanghai-Nanking Railway, with the alleged object of preventing the transportation of reinforcements to the Chinese front.

On the afternoon of March 3rd, the Japanese Commander gave the order to stop fighting. The Chinese Commander issued a similar order on March 4th. A strong complaint was made by the Chinese that the 14th Japanese Division was landed at Shanghai between March 7th and 17th, after the cessation of hostilities, and about a month later was transported to Manchuria in order to reinforce the Japanese troops there.

In the meantime, attempts to secure a cessation of hostilities through the good offices of friendly Powers and of the League of Nations had been continued. On February 28th, the British Admiral, Sir Howard Kelly, received on his flagship the delegates of both parties. An agreement on the basis of mutual and simultaneous withdrawal and of a temporary character was proposed. The conference was not successful, owing to the differing opinions of the two parties as to the basis of the negotiations.

On February 29th, the President of the Council of the League of Nations made recommendations which contemplated, amongst other things, "a mixed conference in the presence of other interested Powers in view of the final conclusion of the fighting and for a definite cessation of hostilities, subject to local arrangements". Both parties accepted, but a successful outcome of the negotiations was rendered impossible by the conditions of the Japanese delegates, who demanded that: (1) the Chinese troops should first begin to withdraw, and (2) the Japanese, having ascertained that the withdrawal was taking place, should then retire, not, as formerly stated, to the International Settlement and the extra-Settlement streets, but to an area extending from Shanghai to Woosung.

On March 4th, the Assembly of the League, recalling the suggestions of the Council, (1) called on both Governments to make the cessation of hostilities effective; (2) requested other interested Powers to inform the Assembly on the execution of the previous paragraph; and (3) recommended negotiations, with the assistance of other Powers, for the conclusion of the arrangements in order to render definite the cessation of hostilities and to regulate the withdrawal of the Japanese troops, wishing to be informed by the Powers on the development of these negotiations.

On March 9th, the Japanese sent a memorandum to the Chinese through the intermediary of the British Minister, in which their readiness to negotiate on the basis of the points laid down by the Assembly was expressed.

On March 10th, the Chinese replied through the same channel that they too were ready to negotiate on this basis, but on condition that the conference should be limited to matters pertaining to the definite cessation of hostilities and the complete and unconditional withdrawal of the Japanese troops. On March 13th, the Japanese intimated that they were not disposed to regard the Chinese reservations as modifying the sense of the resolutions of the League of Nations or in any way binding on themselves. They thought that both parties should meet on the basis of the resolutions.

On March 24th, the Sino-Japanese Conference on the cessation of hostilities was opened. In the meantime, the withdrawal of Japanese military and naval forces had actually begun. On March 20th naval and air contingents left Shanghai, reducing the remaining strength to something not far above normal. The Japanese Headquarters announced on March 27th, on the occasion of further withdrawal, that this had nothing to do with the above-mentioned Conference or with the League of Nations, but was simply the outcome of the independent decision of the Headquarters of the Imperial Japanese Army to recall units no longer required at Shanghai.

On March 30th, the Conference announced that, on the preceding day, an agreement relative to a definite cessation of hostilities had been reached, but further difficulties supervened and it was not till May 5th that a complete armistice agreement was ready for signature. It provided for a definite cessation of hostilities, fixed a line to the west of Shanghai as a temporary limit for the advance of Chinese troops, pending further arrangements upon the re-establishment of normal conditions, and provided for the withdrawal of the Japanese troops to the International Settlement and the extra-Settlement roads (streets) as previous to January 28th. Certain areas outside the Settlement had to be temporarily included, because the number of Japanese troops was too large to be quartered within the Settlement alone, but these do not require to be mentioned as they have since been evacuated. A Joint Commission, in which the assistant friendly Powers — the United States of America, Great Britain, France and Italy — and the two parties were represented, was established to certify the mutual withdrawal. This Commission was also to collaborate in arranging for the transfer from the Japanese forces to the Chinese Police.

The Chinese added two qualifications to the agreement. The first declared that nothing in the agreement was to imply permanent restriction of the movement of Chinese troops in Chinese territory, and the second that it was to be understood that, even in areas temporarily provided for the stationing of the Japanese troops, all municipal functions, including that of policing, would remain with the Chinese authorities.

The terms of this agreement as a whole have in the main since been carried out. The evacuated areas were turned over to the Chinese Special Police Force between May 9th and 30th. The turning-over, however, of these four areas has been somewhat delayed. It was but natural that, when the Chinese owners of houses and factories, officials of railways and companies, and others began to re-enter the evacuated areas, numerous complaints concerning looting, wilful destruction and carrying away of property should have been addressed to the Japanese military authorities. In the opinion of the Chinese, the whole question of reparations remains for further negotiations. They estimate the casualties in killed, wounded and missing as 24,000 officers, men and civilians, and the total material loss at approximately 1,500,000,000 Mexican dollars. A draft agreement dealing with the extra-Settlement road areas has been initialled by representatives of the Shanghai Municipal Council and of the Chinese Municipality of Greater Shanghai, but it has not yet received the approval of either the Municipal Council or of the City Government. The Municipal Council has referred it to the Senior Consul for the observations of the Consular Body.

The Shanghai affair undoubtedly exercised considerable influence upon the situation in Manchuria. The ease with which the Japanese had been able to occupy the greater part of Manchuria, and the absence of any resistance by the Chinese troops, not only led to a belief in Japanese naval and military circles that the fighting quality of the Chinese Army was negligible, but also caused profound depression throughout China. The stout resistance put up from the first by the Chinese 19th Route Army,

Effect on the Manchurian situation of the Chinese resistance at Shanghai.

with the assistance later of the 87th and 88th Guard Divisions, was hailed throughout China with the greatest enthusiasm, and the fact that the original 3,000 marines had to be supplanted by three divisions and a mixed brigade of the Japanese Army before the Chinese forces were finally dislodged and driven back after six weeks of fighting created a profound impression upon the Chinese *morale*. The feeling prevailed that China must be saved by her own efforts. The Sino-Japanese conflict was brought home to the people throughout China. Everywhere opinion hardened and the spirit of resistance increased. Former pessimism gave place to equally exaggerated optimism. In Manchuria, the news from Shanghai put fresh heart into the scattered forces still opposing the Japanese troops. It encouraged the subsequent resistance of General Ma Chan-shan and stimulated the patriotism of the Chinese all over the world. The resistance of the Volunteer Armies increased. Expeditions to suppress them met with indifferent success, and in some areas the Japanese stood on the defensive, taking up positions along certain railway lines, which were frequently attacked.

The hostilities at Shanghai were followed by several other incidents, one of which was the short bombardment of Nanking. This incident created much excitement and alarm, even outside China. It happened on the late evening of February 1st, but did not last for more than an hour. The incident was probably caused by a misunderstanding, but had the important consequence of a temporary removal of the Chinese Government from Nanking to Loyang.

The Incident of Nanking, February 1st, 1932.

Chinese and Japanese versions both of the origin and of the facts are widely divergent. Two justifications were given to us from Japanese sources. The first was that, since the outbreak of hostilities at Shanghai, the Chinese had extended the Lion Hill Forts, constructed trenches and established artillery positions at the gates near the river and on the opposite side of it, thus making military preparations on a scale sufficient to arouse concern amongst the Japanese, who had warships on the river. The second was that the vernacular papers had spread untruthful stories of Chinese victories at Shanghai, which had caused great excitement among the Chinese population of Nanking. In consequence, Chinese employed by Japanese were, it is alleged, forced by threats to give up their situations, and Chinese merchants refused to sell even the necessary food supplies to Japanese residents, including the Consular staff and the crews of warships.

The Chinese did not comment on these complaints. They assert that the general uneasiness and tense atmosphere prevailing were caused by the fact that the Japanese, after the Shanghai outbreak, increased the number of their warships from two to five, and subsequently to seven (the Japanese authorities give the number as six, these being three old gunboats and three destroyers); that the Commander of the warships landed a certain number of sailors and put them on guard duty before the wharf of the Nisshin Kisen Kaisha, where the Japanese Consular staff and all the Japanese residents had taken refuge on a hulk. With the events of Shanghai fresh in their memories, such measures may well have filled the minds of the already-excited population at Nanking with fears of a similar experience.

We know from a report of the Police Commissioner of Nanking to the Ministry of Foreign Affairs that the authorities at Nanking who were solely responsible for the protection of their own subjects and of foreign nationals at that place greatly resented the landing of Japanese naval forces. They addressed representations to the Japanese Vice-Consul, who replied that he was unable to do anything in the matter. At the same time, special instructions were given to the local police station at Hsiakwan, where the warships were anchored and the above-mentioned wharf was situated, to prevent, if possible, any contact between Chinese and Japanese in this area, especially at night-time. According to the Japanese official reports, their refugees were taken on board a steamer

of the name *Nisshin Kisen Kaisha* during the days following January 29th, and a considerable number were transported to Shanghai. On the late evening of February 1st, the Japanese assert that three gunshots were suddenly fired, apparently from the Lion Hill Forts. At the same time, Chinese regulars fired on the Japanese naval guards on the river banks, causing two casualties, of which one was fatal. The fire was returned, but directed only at the immediate neighbourhood of their landing-place and stopped as soon as the firing from the shore had ceased. Such is the Japanese version. The Chinese, on the other hand, stoutly deny that any firing at all took place, but allege that eight shells in all were fired at the forts, at Hsiakwan station and at other places, accompanied by machine-gun and rifle firing, and that during this time searchlights were directed at the shore. This caused considerable panic amongst the inhabitants, who rushed into the interior of the city; but no casualties were reported and the material damage was not great.

It is also possible that the incident was first started by the firing of crackers by the excited Chinese population, celebrating a supposed victory at Shanghai.

Chapter VI.

“ MANCHUKUO ”.

PART I. — STAGES IN THE FORMATION OF THE “NEW STATE”.

Chaotic conditions resulting from Japanese occupation of Mukden.

As a result of the events of September 18th, 1931, as described in Chapter IV, the civil administration of Mukden City and of the Province of Liaoning (Fengtien) was completely disorganised and even that of the other two provinces was affected to a lesser extent. The suddenness of the attack on Mukden, which was not only the political centre of all Manchuria but, next to Dairen, also the most important commercial centre of South Manchuria, created a panic among the Chinese population. Most of the prominent officials, and the leading members of the educational and commercial communities who could afford to do so, left immediately with their families. During the days following September 19th, over 100,000 Chinese residents left Mukden by the Peiping-Mukden Railway, and many who could not get away went into hiding. The police, and even the prison warders, disappeared. The municipal, district and provincial administrations at Mukden completely broke down, the public utility companies for the supply of electric light, water, etc., the buses and tramways, and the telephone and telegraph services, ceased to function. Banks and shops kept their doors closed.

Restoration of order and civil administration in Mukden City.

The immediate necessity was the organisation of a municipal government and the restoration of the ordinary civic life of the city. This was undertaken by the Japanese and carried through quickly and efficiently. Colonel Doihara was installed as Mayor of Mukden, and within three days normal civil administration was restored. Several hundred police and most of the prison warders were brought back with the help of General Tsang Shih-yi, the Civil Governor of the Province, and the public utility services were restored. An Emergency Committee, with a majority of Japanese members, helped Colonel Doihara, who held his post for one month. On October 20th, the reins of municipal government were restored to a qualified Chinese body, with Dr. Chao Hsin-po (a lawyer who had studied for eleven years in Japan and was a Doctor of Law of Tokyo University) as Mayor.

The next problem was to re-organise the provincial administration in each of the Three Provinces. This task was more difficult in Liaoning than in either of the other two, because Mukden was the centre of this provincial administration; most of the influential men had fled, and for a time a Chinese provincial administration continued to be carried on at Chinchow. It was three months, therefore, before the re-organisation was completely accomplished. Lieutenant-General Tsang Shih-yi, the existing President of the Liaoning Provincial Government, was first approached on September 20th and invited to organise a Provincial Government, independent of the Chinese Central Government. This he refused to do. He was then put under arrest and released on December 15th.

After General Tsang Shih-yi had refused to help in the establishment of an independent Government, another influential Chinese official, Mr. Yuan Chin-kai, was approached. He was a former provincial governor and a Vice-President of the North-Eastern Political Committee. The Japanese military authorities invited him and eight other Chinese residents to form a “Committee for the Maintenance of Peace and Order”. This Committee was declared to have been formed on September 24th. The Japanese Press at once acclaimed it as the first step in a separatist movement, but Mr. Yuan Chin-kai publicly disclaimed any such intention on October 5th. The Committee, he said, had “been brought into being to preserve peace and order after the breakdown of the former administration. It assisted, moreover, in relieving refugees, in restoring the money market, and it attended to some other matters, solely for the sake of preventing unnecessary hardship. It had, however, no intention of organising a Provincial Government or declaring independence”.

On October 19th, the Committee opened the Board of Finance, and Japanese advisers were appointed to assist the Chinese functionaries. The Director of the Board of Finance had to obtain the approval of the military authorities before giving effect to the Board's decisions. In the districts, the tax collectors' offices were controlled by the Japanese gendarmerie or other agencies. In some cases, they had to submit their books daily for inspection to the gendarmerie, whose approval had to be obtained for the disbursement of any monies on public objects, such as police, justice, education, etc. Any case of remittance of taxes to the “hostile party” at Chinchow was to be at once reported to the Japanese authorities. At the same time, a Financial Readjustment Committee was organised the chief business of which was to re-organise the taxation system. Japanese representatives and the representatives of Chinese guilds were allowed to take part in discussions on taxation. According to a statement in the “History of the Independence of Manchukuo”, dated May 30th, 1932, and submitted to the Commission by the “Department of Foreign Affairs” at Changchun, these discussions led to the abolition on November 16th, 1931, of six taxes, the reduction of four others by half, the transfer of eight others to local governments, and the prohibition of all levies, without a legal basis.

On October 21st, the Board of Industry was opened by the Committee, whose name was now changed to that of “Liaoning Province Self-Government Office”. The consent of the Japanese military authorities was sought and obtained and a number of Japanese advisers were appointed. Before issuing any orders, the Director was required to obtain the approval of the Japanese military authorities.

Lastly, the Liaoning Self-Government Office organised a new North-Eastern Communications Committee, which gradually assumed control of various railways, not only in Liaoning Province, but also in Kirin and Heilungkiang. This Committee was separated from the Liaoning Self-Government Office on November 1st.

On November 7th, the Liaoning Province Self-Government Office transformed itself into the Liaoning Provincial Government *ad interim*,

The re-organisation of Provincial Government : (1) LIAONING PROVINCE

General Tsang Shih-yi refuses to organise an independent Provincial Government.

Formation of a “Peace and Order Maintenance Committee” under the chairmanship of Mr. Yuan Chin-kai, Septemb. 25th.

Board of Finance opened, October 19th.

Board of Industry established, October 21st.

North-Eastern Communications Committee.

Declaration of November 7th,

and establishment of a Provincial Government on November 10th.

Appointment of Supreme Advisory Board.

Name of Province changed to Fengtien on November 20th, and General Tsang Shih-yi installed as Governor on December 15th.

(2) KIRIN PROVINCE

(3) THE SPECIAL ADMINISTRATIVE DISTRICT OF THE CHINESE EASTERN RAILWAY

which issued a declaration by which it severed its relations with the former North-Eastern Government and with the Central Government at Nanking. It requested the local governments in Liaoning to abide by the decrees it had issued, and announced that henceforth it would exercise the authority of a Provincial Government. On November 10th, a public opening ceremony took place.

Simultaneously with the transformation of the Self-Government Office into the Liaoning Provincial Government *ad interim*, a Supreme Advisory Board was inaugurated under the chairmanship of Mr. Yu Chung-han, who had been Vice-Director of the Peace and Order Maintenance Committee. Mr. Yu announced the objects of this Board as : the maintenance of order, the improvement of administration by the suppression of bad taxes, the reduction of taxation, and the improvement of the organisation of production and sale. The Board was, furthermore, to direct and supervise the acting Provincial Government, and to foster the development of local self-government in accordance with the traditions of local communities and with modern needs. It comprised sections dealing with general affairs, investigation, protocol, guidance, supervision, and an Institute for Training in Self-Government. Nearly all the important functionaries were Japanese.

On November 20th, the name of the Province was changed to that of Fengtien, which had been its name before its union with Nationalist China in 1928, and, on December 15th, Mr. Yuan Chin-kai was replaced by General Tsang Shih-yi, who was released from his confinement and installed as Governor of Fengtien Province.

The task of establishing a provincial Government in the province of Kirin was far easier. On the 23rd, the Commander of the 2nd Division, Major-General Tamon, had an interview with Lieutenant-General Hsi Hsia, the acting head of the provincial administration in the absence of General Chang Tso-hsiang, and invited him to assume the chairmanship of the Provincial Government. After this interview, General Hsi Hsia summoned the various Government organisations and public associations to a meeting on September 25th, which was also attended by Japanese military officers. No opposition was expressed to the idea of establishing a new provisional government, and a proclamation to that effect was published on September 30th. The Organic Law of the new Provincial Government of Kirin was subsequently announced. The committee system of government was abolished, and Governor Hsi Hsia took full responsibility for the conduct of government. Some days later, the principal officials of the new Government were appointed by him and some Japanese functionaries were added later. The chief of the Bureau of General Affairs was a Japanese. In the districts also, some administrative re-organisation and change of personnel took place. Out of forty-three districts, fifteen were re-organised, which involved the dismissal of the Chinese District Officers. In ten others, the District Officers were retained after declaring their allegiance to General Hsi Hsia. The others still remained under Chinese military leaders loyal to the old regime, or kept aloof from the contending factions.

The Chief Administrator of the Special District, Lieutenant-General Chang Ching-hui, was friendly to the Japanese. He had no military force behind him, whereas the old regime could still dispose of considerable forces both in Kirin and Heilungkiang, as well as the railway guards in the Special District itself. On September 27th, he summoned a conference in his office at Harbin to discuss the organisation of the Emergency Committee of the Special District. This Committee was formed with General Chang as Chairman and eight other members, amongst whom were General Wang Juihwa and General Ting Chao, who later, in January 1932, became the leader of the " anti-Kirin " forces, in opposition to General Hsi Hsia. On November 5th, the anti-Kirin Army, under the command of the Generals

of Chang Tso-hsiang, established a new Kirin Provincial Government at Harbin. After General Chang Ching-hui had been appointed, on January 1st, 1932, Governor of Heilungkiang, he declared in that capacity the independence of the Province on January 7th. On January 29th, General Ting Chao took possession of the office of the Chief Administrator and placed General Chang under restraint in his own house. The latter regained his liberty when the Japanese forces came north and occupied Harbin on February 5th, after defeating General Ting Chao. From that time onwards, the Japanese influence made itself increasingly felt in the Special District.

In Heilungkiang Province, a more complicated situation had arisen owing to the conflict between General Chang Hai-peng and General Ma Chan-shan, which was described in the last chapter. After the occupation of Tsitsihar by the Japanese on November 19th, a Self-Government Association of the usual type was established, and this Association, which was said to represent the will of the people, invited General Chang Ching-hui, of the Special District, to act concurrently as Governor of Heilungkiang. As the situation around Harbin was still unsettled, and no definite agreement with General Ma had been reached, this invitation was not accepted until early in January 1932. Even then General Ma's attitude was ambiguous for some time. He co-operated with General Ting Chao until the latter's defeat in February, and then came to terms with the Japanese, accepting the Governorship of Heilungkiang out of General Chang's hands, and subsequently co-operated with the other Governors in the establishment of the new State. A Self-Government Guiding Committee was established at Tsitsihar on January 25th, and the same form of Provincial Government as in the other Provinces was gradually established.

The Province of Jehol has hitherto kept aloof from the political changes which have taken place in Manchuria. Jehol is part of Inner Mongolia. Over 3,000,000 Chinese settlers now live in the Province and they are gradually pushing out to the north the nomadic Mongols, who still live under their traditional tribal or Banner system. These Mongols, who are said to number about one million, have maintained some relations with the Mongol Banners settled in the west of Fengtien Province. The Mongols in Fengtien and Jehol have formed " Leagues " the most influential of which is the Cherim League. The Cherim League joined the Independence movement, as did also the Mongols in the Barga District, or Hulunbuir, in the west of Heilungkiang, who have often attempted to free themselves from Chinese rule. The Mongols do not easily assimilate with the Chinese. They are a proud race, and every Mongol remembers the exploits of Genghis Khan and the conquest of China by Mongol warriors. They resent Chinese overlordship and they resent particularly the immigration of Chinese settlers, by which they are being gradually extruded from their territory. The Leagues of Chaota and Chosatu in Jehol are keeping in touch with the Banners in Fengtien, which are now ruled by committees. General Tang Ju-lin, the Governor of the Province, is reported to have assumed full responsibility for his Province on September 29th, and to have kept in touch with his colleagues in Manchuria. At the inauguration of " Manchukuo " on March 9th, Jehol was included in the new State. In fact, however, no decisive step was taken by the Government of the Province. The latest events in this Province were referred to at the end of chapter IV.

The local self-governing administrations thus established in all the Provinces were subsequently combined into a separate and independent " State ". To understand the ease with which this was accomplished and the amount of evidence which it has been possible to bring forward of Chinese support for it when it was accomplished, it is necessary to consider the peculiar feature of Chinese organised life which in some circumstances is a strength and in others a weakness. As has been already stated in Chapter I, the community obligations recognised by the Chinese are rather

(4)
HEILUNGKIANG.

(5) JEHOI.

The creation of an independent " State ".

to the family, to a locality, or to persons, than to the State. Patriotism as it is understood in the West is only beginning to be felt. Guilds, associations, leagues, armies, are all accustomed to follow certain individual leaders. If, therefore, the support of a particular leader can be secured by persuasion or coercion, the support of his adherents over the whole area of his influence follows as a matter of course. The foregoing narrative of events shows how successfully this Chinese characteristic was utilised in the organisation of the Provincial Governments, and the agency of the same few individuals was used to complete the final stage.

The Self-Government Guiding Board.

The chief agency in bringing about independence was the Self-Government Guiding Board, which had its central office in Mukden. By reliable witnesses, it was stated to the Commission to have been organised, and in large part officered, by Japanese, although its chief was a Chinese, and to have functioned as an organ of the Fourth Department of the Kwantung Army Headquarters. Its main purpose was to foster the independence movement. Under the direction and supervision of this Central Board, local self-government executive committees were formed in the districts of Fengtien Province. To those various districts, as occasion demanded, the Central Board sent out members from its large and experienced staff of inspectors, directors and lecturers, many of whom were Japanese. It utilised also a newspaper, which it edited and published.

The proclamation of the Self-Government Guiding Board, Mukden, January 7th.

The nature of the instructions given by the Central Board is apparent from the proclamation which it issued as early as January 7th, under date of January 1st. The proclamation stated that the North-East was faced with the need for developing, without delay, a great popular movement for the establishment of a new independent State in Manchuria and Mongolia. It described the development of its work in various districts in Fengtien Province, and outlined its plan for the extension of its activities to the remaining districts and even to the other Provinces. It then appealed to the people of the North-East to overthrow Marshal Chang Hsueh-liang, to join the Self-Government Association, to co-operate in setting up a clean administration and improving the living conditions of the people, and it ended with the words: "Organisations of the North-East, Unite! Towards the new State! Towards Independence!" Of this proclamation, fifty thousand copies were distributed.

Plans of the Chief of the Board in January.

As early as January also, the Chief of the Self-Government Guiding Board, Mr. Yu Chung-han, was already making plans, together with Governor Tsang Shih-yi, for the new State which, it was reported, was to be established on February 10th. But the Harbin outbreak of January 29th and General Ma's ambiguous attitude during the conflict with Ting Chao appear to have been the main reasons for the temporary postponement of further preparations at that time.

The Mukden Conference, February 16th-17th.

Later, after Ting Chao's defeat, negotiations between Lieutenant-General Chang Ching-hui and General Ma had brought about, on February 14th, a settlement according to which General Ma was to become Governor of Heilungkiang. The meeting at which the foundation of the new State was to be arranged was held on February 16th and 17th at Mukden. The Governors of the Three Provinces and the Special District were present in person, as well as Dr. Chao Hsin-po, who had played a prominent part in all the preparatory work.

At a meeting of these five men, it was decided that a new State should be established, that a North-Eastern Administrative Council should be organised which would exercise temporarily the supreme authority over the Provinces and the Special District, and, finally, that this Supreme Council should, without delay, make all necessary preparations for the founding of the new State. On the second day of the Conference, two Mongol Princes attended, one representing the Barga District (Hulunbuir) in Western Heilungkiang, the other, Prince Chiwang of the Cherim Leagues,

representing practically all Banners, who respect this Prince more than any other leader.

The Supreme Administrative Council was constituted the same day. Its members were Lieutenant-General Chang Ching-hui, Chairman of the Council, the Governors of Fengtien, Kirin, Heilungkiang and Jehol, and Prince Chiwang and Prince Ling Sheng for the Mongolian districts. The first decisions of the Council were: to adopt the republican system for the new "State"; to respect the autonomy of the constituting Provinces; to give the title of "Regent" to the Chief Executive, and to issue a Declaration of Independence, to be signed by the Governors of the four Provinces and the Special District, by Prince Chiwang for all the Banners, and by Prince Kueifu for Hulunbuir in Heilungkiang. The Commander-in-Chief of the Kwantung Army gave that night an official dinner in honour of the "Heads of the new State", whom he congratulated on their success and assured of his assistance in case of need.

The Declaration of Independence was published on February 18th. It referred to the ardent wishes of the people to have permanent peace and to the duty of the Governors, who were said to have been chosen by the people, to fulfil those wishes. The Declaration referred to the necessity for the establishment of a new State, and claimed that the North-Eastern Administrative Council had been constituted for this purpose. Now that relations with the Kuomintang and the Government at Nanking had been severed, the people were promised the enjoyment of good government. This Declaration was sent by circular wire to all places in Manchuria. Governor Ma and Governor Hsi Hsia then returned to their respective provincial capitals, but they designated representatives to meet Governor Tsang Shih-yi, Governor Chang Ching-hui, and Mayor Chao Hsin-po for the purpose of working out the details of the plan.

In a subsequent meeting held by this group, on February 19th, it was decided to establish a Republic, to lay down the principle of the separation of powers in the Constitution, and to ask the former Emperor Hsuan-Tung to become the Chief Executive. In the following days, it was decided that the capital should be Changchun; the new era of government was to be styled "Tatung" (Great Harmony), and the design of the national flag was fixed. Notification of the decisions taken was sent, on February 25th, to all provincial governments, including Jehol, as well as to the Mongol administrative offices of Hulunbuir and of the Cherim, Chaota and Chosatu Leagues. The last-named Leagues are established in Jehol. They could, therefore, as already stated, take no steps against the wishes of the Chairman of the Government of that Province.

After the Declaration of Independence and the announcement of the plans for the new State, the Self-Government Guiding Board took the leading part in organising popular manifestations of support. It was instrumental in forming societies for the "Acceleration of the Foundation of the New State". It instructed its branches in the various districts throughout Fengtien, the Self-Government Executive Committees, to do everything possible to strengthen and hasten the independence movement. In consequence, the new "Acceleration Societies" sprang up rapidly, centring around the Self-Government Executive Committees.

From February 20th onwards, these newly-formed "Acceleration Societies" became active. Posters were prepared, slogans printed, books and pamphlets issued, a *North-Eastern Civilisation Half-Monthly* was edited and red scrolls were distributed. Leaflets were sent by post to various prominent citizens asking them to help the propaganda work. At Mukden the scrolls were distributed by the Chinese Chamber of Commerce, to be placed on the door-posts.

During the same time, the Self-Government Executive Committees in the districts summoned meetings of popular representatives, such as

The Supreme Administrative Council, February 17th.

Declaration of Independence, February 18th.

Plans for the new State.

The State Foundation Acceleration Movement.

The organisation

of popular approval of independence.

The Mukden resolutions favouring a New State, February 28th.

The Independence Movement in Kirin Province.

In Heilungkiang Province.

members of the local gentry, and the chairmen and prominent members of commercial, agricultural, industrial and educational associations. In addition, mass meetings were organised and parades or processions were conducted through the principal streets of the district capitals. Resolutions expressing the wishes either of the people in general or of special groups were passed at conferences of prominent local men and at the mass meetings, in which it was claimed many thousands of persons took part. These resolutions were naturally sent to the Self-Government Guiding Board at Mukden.

After the Acceleration Societies and the Self-Government Executive Committees had been active in various districts of Fengtien, a provincial convention was organised at Mukden to give concrete evidence of the general desire of the people for the establishment of the State. Accordingly, on February 28th, a meeting was held in which about 600 persons took part, including all the district officers of the Province and the representatives of nearly all classes and organisations. This meeting issued a declaration which stated that it expressed the joy of the 16,000,000 inhabitants of Fengtien Province at the downfall of the old oppressive military caste and the dawn of a new era. As far as Fengtien was concerned, the movement had thus been brought to a conclusion.

The movement in Kirin Province in favour of a new State was also organised and directed. While in the Conference at Mukden on February 16th, Governor Hsi Hsia sent a circular telegram to his District Officers asking them to enlighten him as to public opinion in regard to the policy to be followed by the new State. The District Officers were enjoined to give adequate guidance to the various guilds and associations in their districts. In direct response to the telegram, independence movements sprang up everywhere. On February 20th, the Kirin Provincial Government created the State Foundation Committee, which was to guide the various organisations in conducting their independence campaigns. On February 24th, the People's Association at Changchun held a mass meeting in which about 4,000 persons are reported to have taken part. They demanded the acceleration of the foundation of the new State. Similar meetings were held in other districts and also in Harbin. On February 25th, the mass meeting for the whole Province was held at the city of Kirin. About ten thousand persons were reported to have been present. A declaration was duly issued similar to that passed at Mukden on February 28th.

In Heilungkiang Province, the Mukden Self-Government Guidance Board played an important part. On January 7th, after General Chang Ching-hui had accepted the governorship of Heilungkiang, he declared the Province to be independent.

The Board lent its assistance in conducting the acceleration movement in Heilungkiang. Four directing officers, two of whom were Japanese, were despatched from Mukden to Tsitsihar. Two days after their arrival, on February 22nd, they convened a meeting in the reception hall of the Government House, in which a large number of associations were represented. It was a Pan-Heilungkiang Conference, which was to decide upon the methods of preparing for the establishment of the State. It was resolved to hold a mass demonstration on February 24th.

Many thousands of persons took part in the mass demonstration at Tsitsihar, which was covered with posters, scrolls, streamers and pennants in commemoration of the event. The Japanese artillery fired 101 guns in honour of the day. Japanese planes circled overhead, dropping down leaflets. A declaration was promptly issued which favoured a republican form of government, with a responsible Cabinet and a President as the head of the State. All powers were to be concentrated in the Central Government, and the provincial governments were to be abolished, leaving districts and municipalities as the units of local government.

By the end of February, Fengtien, Kirin, Heilungkiang and the Special District had passed the stages of district and provincial declarations. The Mongol Banners had also given their allegiance to the new State, since it was known that it would mark off special autonomous Mongol districts and would in other ways guarantee the rights of the Mongol inhabitants. The Mohammedans had already, at a meeting on February 15th, at Mukden, pledged their allegiance. The majority of the small number of unassimilated Manchus were also in favour of the new State as soon as it had become known that their former Emperor would probably be offered the post of Chief Executive.

After the districts and provinces had given formal support to the plan of a new State, the Self-Government Guiding Board took the lead in convening an All-Manchuria Convention, which was held at Mukden on February 29th. There were present official delegates from the provinces, the districts of Fengtien Province and the Mongol territories, and, in addition, many others, including representatives of various groups, such as the Koreans in Kirin Province and the Special District, and the branches of the Youth League of Manchuria and Mongolia : altogether over 700 persons.

Speeches were delivered and a declaration and resolution were unanimously approved, the former denouncing the previous regime, the latter welcoming the new State. A second resolution was also adopted designating as the provisional President of the new State the former Emperor Hsuan Tung, now known by his personal name as Mr. Henry Pu-yi.

The North-Eastern Administrative Council met at once in urgent session and elected six delegates to proceed to Port Arthur, to convey their invitation to the former Emperor at Port Arthur, where he had been residing since he left Tientsin in the previous November. Mr. Pu-yi at first declined it, but on March 4th a second delegation comprising twenty-nine delegates obtained his consent to accept the post for one year only. Then the Administrative Council elected its chairman, Lieutenant-General Chang Ching-hui, and nine others, to be the Reception Committee. On March 5th, the Committee went to Port Arthur and was received in audience. In response to its request, the former Emperor, on March 6th, left Port Arthur for Tangkangtze, and after two days began, on the 8th, to receive homage as the Regent of "Manchukuo".

The inauguration ceremonies were held at the new capital, Changchun, on March 9th. Mr. Pu-yi, as Regent, made a declaration in which he promised to found the policy of the new State upon the basis of "morality, benevolence and love". On the 10th, the principal members of the Government were appointed; the members of the Cabinet, the Presidents of the Board of Legislation and the Board of Control; the President and Vice-President and Councillors of the Privy Council, the Governors of the Provinces and of the Special District, the Commanders of the Defence Forces of the Provinces, and some other high officials. A notice regarding the establishment of "Manchukuo" was issued by telegram on March 12th to the foreign Powers. The declared purpose of this notice was to communicate to the foreign Powers the fundamental object of the formation of "Manchukuo" and its principles of foreign policy; and to request that they recognise it as a new State.

Prior to the arrival of the Regent, a number of laws and regulations, on which Dr. Shao Hsin-po had been working for some time, had been made ready for adoption and promulgation. They came into force on March 9th, simultaneously with the law regulating the organisation of the Government, while the laws which theretofore had been in effect, in so far as they were not in conflict with the new laws, or with the fundamental policy of the State, were provisionally adopted by special ordinance of the same date.

The All-Manchuria Convention, Mukden, February 29th.

Mr. Henry Pu-yi, the former Emperor, accepts the headship of "Manchukuo"

The inauguration ceremonies, Changchun, March 9th.

The date of the establishment of "Manchukuo"; Laws and Regulations.

Sources of information.

This narrative of the stages by which the "State of Manchukuo" was created has been compiled from all the sources of information available. The events were reported at length, as they occurred, in Japanese newspapers, and most fully, perhaps, in the columns of the Japanese-edited *Manchuria Daily News*. The two documents entitled "Histoire de l'Indépendance du Mandchoukouo — Ministère des Affaires étrangères du Mandchoukouo", and "A General Outline of Manchukuo — Department of Foreign Affairs, Manchukuo", which were prepared at Changchun on May 30th by the present administration, and the "Memorandum on the so-called Independence Movement in the Three Eastern Provinces", prepared by the Chinese Assessor, have also been carefully studied. In addition, wherever possible, neutral sources of information were utilised.

Civil administration since September 18th.

The measures of civil administration taken by the Japanese military authorities between September 18th and the establishment of the "Manchukuo Government", notably the control of the Banks, the administration of the public utility services and the management of the railways, indicated that, from the commencement of the operations, objects more permanent than the requirements of a temporary military occupation were being pursued. Immediately after the occupation of Mukden, on September 19th, guards were placed in or in front of all Chinese banks, railway offices, the administrative offices of public utility services, the office of the Mining Administration, and similar premises. Investigations were then conducted into the financial and general situation of these enterprises. When they were allowed to re-open, Japanese were appointed as advisers, experts, or secretaries to officials, usually with administrative powers. Many business enterprises were owned by the former administration of the Three Eastern Provinces, as well as by the provincial administrations; and, as the previous Government was regarded as an enemy Government in time of war, no bank, no mining, agricultural or industrial enterprise, no railway offices, no public utility — in fact, no single source of revenue in which they had been interested in either their public or private capacities — was left without supervision.

Railways.

As regards railways, the measures taken by the Japanese authorities from the outset of the period of military occupation were designed to settle definitely, in a manner favourable to Japanese interests, some of the questions which had long been in dispute between the Chinese and Japanese railways, and which have been described in Chapter III. The following measures were promptly taken:

1. All the Chinese-owned railways north of the Great Wall, and the monies standing to their credit in banks in Manchuria, were seized.
2. In order that the railways might be co-ordinated with the South Manchuria Railway, certain changes were made in the arrangement of tracks in and around Mukden, by cutting the tracks of the Peiping-Mukden Railway at the viaduct under the South Manchuria Railway, thus closing the Liaoning Central station, the Fengtien East station, the Fengtien North Gate station, and thus severing the connection with the Chinese Government railway to Kirin (later replaced).
3. At Kirin, a physical connection was made between the Hailun-Kirin line and the Kirin-Tunhua and Kirin-Changchun Railways.
4. A staff of Japanese technical advisers was installed in various departments of the railways.
5. The "special rates" adopted by the Chinese authorities were abolished and the original tariffs restored, thus bringing freight rates on Chinese railways more into conformity with those of the South Manchuria Railway.

During the period between September 18th, when the North-Eastern Communications Committee ceased to function, and the date of the creation of the "Manchukuo Ministry of Communications", the Japanese authorities assumed entire responsibility for the administration of the railways.

Measures of a similar kind, which went beyond those which were necessary for the protection of the lives and property of their nationals, were taken by the Japanese in respect of the public electricity supplies at Mukden and Antung. Also, in the period between September 18th and the establishment of "Manchukuo", the Japanese authorities made changes in the administration and management of the Chinese Government telephone, telegraph and wireless services which would ensure their intimate co-ordination with the Japanese telephone and telegraph services in Manchuria.

Other public utilities.

Since September 18th, 1931, the activities of the Japanese military authorities, in civil as well as in military matters, were marked by essentially political considerations. The progressive military occupation of the Three Eastern Provinces removed in succession from the control of the Chinese authorities the towns of Tsitsihar, Chinchow and Harbin, finally all the important towns of Manchuria; and following each occupation, the civil administration was re-organised. It is clear that the Independence Movement, which had never been heard of in Manchuria before September 1931, was only made possible by the presence of the Japanese troops.

Conclusions.

A group of Japanese civil and military officials, both active and retired, who were in close touch with the new political movement in Japan to which reference was made in Chapter IV, conceived, organised and carried through this movement, as a solution to the situation in Manchuria as it existed after the events of September 18th.

With this object, they made use of the names and actions of certain Chinese individuals, and took advantage of certain minorities among the inhabitants, who had grievances against the former administration.

It is also clear that the Japanese General Staff realised from the start, or at least in a short time, the use which could be made of such an autonomy movement. In consequence, they provided assistance and gave direction to the organisers of the movement. The evidence received from all sources has satisfied the Commission that, while there were a number of factors which contributed to the creation of "Manchukuo", the two which, in combination, were most effective, and without which, in our judgment, the new State could not have been formed, were the presence of Japanese troops and the activities of Japanese officials, both civil and military.

For this reason, the present regime cannot be considered to have been called into existence by a genuine and spontaneous independence movement.

PART II. — THE PRESENT GOVERNMENT OF "MANCHUKUO"

"Manchukuo" is governed in accordance with an Organic Law and a Guarantee Law of Civil Rights. The Organic Law prescribes the fundamental organisation of the governmental organs. It was promulgated by Ordinance No. 1 issued on March 9th, the first year of Tatung (1932).

The Organic Law.

The Regent is head of the State. All executive power is vested in him, and he has also the authority to overrule the Legislative Council. He is assisted by a Privy Council, which is to advise him upon important affairs.

A characteristic feature of the Organic Law is the separation of governmental power into four divisions or departments: the Executive, the Legislative, the Judicial and the Supervisory.

The functions of the Executive department are carried out, under the direction of the Regent, by the Premier and the Ministers of State, who together form a State Council or Cabinet. The Premier supervises

The Executive Department.

the work of the Ministries and, through the powerful Board of General Affairs, has direct charge of their confidential matters, personnel, accounting and supplies. Subordinate to the State Council are various bureaux, especially the important Advisory Bureau and the Legislative Bureau. Executive power is thus largely concentrated in the hands of the Premier and the Regent.

**The
Legislative
Department.**

The legislative power is vested in the Legislative Council. Its approval will be necessary for all laws and revenue Acts. But should it reject any Bill, the Regent may ask the Council to re-consider its decision and, if it should again reject it, the Regent, after consulting the Privy Council, shall decide the matter. At present, however, no law has yet been passed for the organisation of the Council, with the result that laws are drafted by the State Council and become effective after the Privy Council has been consulted and the approval of the Regent has been obtained. So long as the Legislative Council is not organised, the Premier's position is predominant.

**The Judicial
Department.**

The judiciary comprises a number of law courts, divided into three grades, the Supreme Court, Higher Courts, and District Courts.

**The
Supervisory
Department.**

The Supervisory Council supervises the conduct of officials and audits their accounts. The members of the Council may not be dismissed except for a criminal offence or disciplinary punishment, and may not be subjected to suspension or transfer of office or reduction of salary against their wishes.

**Provinces and
Special
Districts.**

For purposes of local government, "Manchukuo" is divided into five provinces and two special districts. The provinces are Fengtien, Kirin, Heilungkiang, Jehol, and Hsin-An or Hsingan. The last-named, which contains the Mongol districts, is subdivided into three areas or sub-provinces, so as to conform to the traditional Banner system and the union of Banners into Leagues. The special districts are the old Chinese Eastern Railway, or Harbin district, and the newly established Chientao, or Korean district. By means of this administrative division, the important minorities, Mongols, Koreans and Russians, are to be guaranteed, as far as possible, special administration in conformity with their needs. Although the Commission made several requests to be shown a map of the area claimed to be included in the "State of Manchukuo", this was not provided, but a letter was received giving the boundaries of the "State" as follows:

"The new State is bounded on the south by the Great Wall, and the Mongol Leagues and Banners in the same comprise Hulinbuir and the Leagues of Cherim, Chaota and Chosatu and their Banners."

At the head of the provinces are Civil Governors. But since it is desired to concentrate executive power in the Central Government, they are to be given no authority over either troops or finance. In the provinces, as well as in the central government, the General Affairs Department holds a controlling position. It is in charge of confidential matters, of personnel, accounting, correspondence, and matters which do not come under other departments.

**Districts and
municipalities.**

Provinces are divided into districts. These are administered largely by district self-government offices, which have under their direction various governmental departments, particularly that of General Affairs. Municipal governments exist at Mukden, Harbin, and Changchun. At Harbin, however, it is planned to create a Greater Harbin, which will include both the Russian and the Chinese cities. The Special Railway District is to be abolished. Part of it will be included in Greater Harbin, and the remainder, stretching east and west along the Chinese Eastern Railway, is to be added to Heilungkiang and Kirin Province.

The "Government of Manchukuo" regards the provinces as administrative areas, and the districts and the municipalities as units of finance.

It determines the amount of their taxes and passes upon the budget. All local revenues must be paid into the Central Treasury, which will then supervise the proper disbursement. These revenues may not be retained, in whole or in part, by the local authorities, as was customary under the old regime. Naturally, this system has not as yet been brought into satisfactory operation.

In the "Government of Manchukuo", Japanese officials are prominent, and Japanese advisers are attached to all important Departments. Although the Premier and his Ministers are all Chinese, the heads of the various Boards of General Affairs, which, in the organisation of the new State, exercise the greatest measure of actual power, are Japanese. At first they were designated as advisers, but more recently those holding the most important posts have been made full Government officials on the same basis as the Chinese. In the Central Government alone, not including those in local governments or in the War Office and the military forces or in Government enterprises, nearly 200 Japanese are "Manchukuo" officials.

Japanese control the Board of General Affairs and the Legislative and Advisory Bureaux, which in practice constitute a Premier's Office, the General Affairs Department in the Ministries and in the Provincial Governments, and the Self-Government Directing Committees in the Districts, and the police departments in the Provinces of Fengtien, Kirin, and Heilungkiang. In most bureaux, moreover, there are Japanese advisers, counsellors and secretaries.

There are also many Japanese in the railway offices and in the Central Bank. In the Supervisory Council, Japanese hold the posts of Chief of the Bureau of General Affairs, Chief of the Control Bureau, and Chief of the Auditing Board. In the Legislative Council, the Chief Secretary is a Japanese. Finally, some of the most important officials of the Regent are Japanese, including the Chief of the Office of Internal Affairs and the Commander of the Regent's bodyguard¹.

The aim of the Government, as expressed in the proclamation of the North-Eastern Administrative Committee of February 18th, and of the "Government of Manchukuo" of March 1st, is to rule in accordance with the fundamental principle of "Wang Tao". It is difficult to find an exact English equivalent for this phrase. The interpreters provided by the "Manchukuo" authorities translated it "love", but scholars give the meaning as the "kingly way", which may have many shades of meaning. Traditionally, the Chinese have used the expression "Wang Tao" as antithetical to "Pa Tao", which latter expression as discussed by Dr. Sun Yat-sen in his "San Min Chu Yi" (Three People's Principles), connotes reliance upon physical force and compulsion. Sun Yat-sen explained that "Wang Tao", therefore, was the antithesis of "Might makes right".

The policy of the Self-Government Guiding Board, the chief agency in the creation of the new Government, was continued by the Advisory Bureau, which had superseded it. Military officers were not to be allowed to interfere in matters of administration. Regulations governing the qualifications for Government service are to be enacted and appointments are to be made on the basis of the ability of the candidates.

Taxation is to be reduced and placed on a legal basis, and reformed in accordance with sound principles of economics and administration. Direct taxes are to be transferred to the District and Municipal Governments, while the Central Government is to secure the income derived from indirect taxes.

**Japanese
officials
and advisers.**

**The aims of
the
Government.**

Taxation.

¹ The more important appointments have meanwhile been announced in the *Manchuria Government Gazette*.

The documents supplied by the Changchun authorities state that a number of taxes have already been abolished, while others have been reduced. Hopes are expressed that readjustment of Government enterprises and Government-owned resources will increase revenue and that the eventual reduction of the military forces will lessen expenditure. However, for the time being, the financial position of the new State is unsatisfactory. Guerilla warfare has kept military expenditure high, while, at the same time, the Government is not receiving revenues from various normal sources. Expenditure for the first year is now roughly estimated at \$85,000,000, against revenue \$65,000,000, showing a deficit of \$20,000,000, which it is intended to cover by a loan from the newly established Central Bank as explained hereafter¹.

The Government declared its intentions, as financial conditions improve, to spend as much as possible of its revenue upon education, public welfare, and development of the country, including reclamation of waste land, exploitation of mineral and forestry resources, and extension of the system of communications. It states that it will welcome foreign financial assistance in the development of the country, and that it will adhere to the principles of Equal Opportunity and of the Open Door.

Education. The Government has already begun to re-open primary and secondary schools, and it intends to train a large number of teachers who will thoroughly understand the spirit and policies of the new State. A new curriculum is to be adopted, new text-books compiled, and all anti-foreign education abolished. The new educational system will aim to improve primary schools and to stress vocational education, the training of the primary school-teachers, and the teaching of sound ideas as to sanitary living. The teaching of English and Japanese is to be compulsory in the middle schools, and of Japanese is to be voluntary in the primary schools.

Justice and police. The "Manchukuo" authorities have decided that, in the domain of justice, the interference of administrative authorities should not be tolerated. The status of judicial officers is guaranteed by the law, and their salaries are to be adequate. The qualifications for judicial positions will be raised. Extra-territorial rights, for the time being, will be respected, but the Government intends to start negotiations with foreign Powers for their abolition as soon as adequate reforms in the present system shall have been effected. The police are to be properly selected, trained and paid, and completely separated from the Army, which is not to be allowed to usurp police functions.

The Army. Re-organisation of the Army is planned, but, since at present it consists largely of the old Manchurian soldiery, caution is felt to be necessary in order to avoid increasing discontent and mutiny.

"Manchukuo" Central Bank opened its head offices in Changchun and branches in many other Manchurian cities on July 1st, 1932. The Central Bank of "Manchukuo" was established on June 14th, and officially opened its doors for business on July 1st. The Bank has its head offices in Changchun, the capital of "Manchukuo", and branches and sub-branches to the number of 170 in most of the cities of Manchuria.

The Bank was organised as a joint-stock company with a charter to run for thirty years. Its first officers were Chinese and Japanese bankers and financiers. It was empowered to "regulate the circulation of the domestic currency, maintain its stability and control the financing service". The capital of the bank was authorised at \$30,000,000 (silver) and permission was given it to issue notes against a specie reserve of at least 30%.

The old provincial banks, including the Frontier Bank, were amalgamated with the new Central Bank, and their entire businesses, including affiliated enterprises, were turned over to it. Provision was further made for liquidating the non-Manchurian branches of the old provincial banks.

¹ See special study No. 4, annexed to this Report.

In addition to what it will be able to salvage from the old banks, the Central Bank has a Japanese loan reported at 20,000,000 Yen¹ and a subscription to its capital of \$7,500,000 (silver) from the "Manchukuo Government" on which to establish itself². The Bank has planned to unify all the Manchurian currencies by redeeming them for new notes at rates which have been officially prescribed as from July 1st, 1932. These new notes are based on the silver dollar and are to be covered to the extent of at least 30 per cent by silver, gold, foreign currencies or deposits. Whether or not the new currency is to be convertible on demand and without limit into hard money is not made clear in official pronouncements. The old notes will be permitted to circulate for two years from the passage of the Conversion Act, but will not be valid after that time.

The order for the new Central Bank notes has been placed with the Japanese Government, but thus far neither the notes nor the new hard money are in circulation. The present currencies of Manchuria remain what they were prior to September 18th, 1931, with the exception that the notes are being surcharged with the signature of Mr. Yung-hou (the President of the new Central Bank) as they pass through the various banks.

It is not clear how the new "Manchukuo" Bank can hope to accomplish its ambitious programme of unifying and stabilising all the present Manchurian currencies with the limited amount of capital at its disposal. The resources inherited from the old provincial banking institutions with the addition of a loan from Japanese banks and a subscription to its capital from the "Manchukuo Government" seem entirely inadequate for the purpose. Moreover, it is not clear on what basis the financial relations between the Bank and the "Manchukuo Government" will be established. According to the preliminary "Manchukuo" budget supplied to the Commission by the Finance Minister, "Manchukuo" expects to face a deficit of over 20,000,000 Yuan³ during its first year of existence. According to the Minister, this was to be covered by a loan from the Central Bank (not then in existence). A Government which subscribes 7,500,000 Yuan to its bank and then borrows over 20,000,000 Yuan from it to balance its budget is not establishing either its Central Bank or its budget on a sound financial basis.

Unless the Central Bank can obtain more actual hard money than it now appears to possess, it can hardly hope to unify and stabilise all Manchurian currencies on a convertible silver-dollar basis. Even if it were to succeed in creating a currency which was uniform though not convertible, it would possibly have accomplished something, but even a uniform currency the stability of which is not guaranteed by conversion falls short of the requirements of a sound monetary system.⁴

In regard to various public utilities, as well as in regard to the railways, arrangements have been made which have tended to link up the Chinese and Japanese systems. Before the outbreak at Mukden, the Japanese were anxious to bring this about, but the Chinese consistently refused to give their consent. Between September 18th, however, and the formation of

¹ It is quite possible that this was intended to be "Yuan".

² According to the preliminary budget furnished the Commission by the "Manchukuo" Finance Minister on May 5th, 1932.

³ This and the following items in the budget were given as Yen in an interview by the "Manchukuo" Finance Minister with a Commissioner, but in the English translation of "A General Outline of Manchukuo" presented by the Department of Foreign Affairs, Manchukuo, they are given in terms of Yuan. The Commission therefore takes the liberty of using Yuan rather than Yen in its reference to this and the following budgetary items.

The fact that the Chinese symbol for Yuan is the same as the one which the Japanese employ for the Yen has been a constant source of difficulty in dealing with the English and French translations supplied the Commission by both the Chinese and Japanese.

⁴ See special study No. 5, annexed to this Report.

New currency to be based on the silver dollar, but whether it will be convertible is not clear.

Present Manchurian currencies essentially what they were prior to September 18th, 1931.

"Manchukuo's" unification programme based on inadequate supply of hard money.

Central Bank more likely to unify the currencies than to make them convertible.

The Japanese extend their control over the Chinese Public Utility System.

" Manchukuo ", steps were at once taken to realise the wishes of the Japanese as already mentioned in the first section of this chapter. Since the formation of the " new State ", the policy of the " Manchukuo Ministry of Communications " seems to be to enter into agreements with the South Manchuria Railway Company for the exploitation of at least some of the main railway lines under its authority.

The Chinese telephone, telegraph and radio systems in Manchuria, being entirely Government-owned, had their own executives and, in addition, were subject to a unified control by the North-Eastern Telephone, Telegraph and Radio Administration. Since September 18th, all three of these systems have been brought into closer co-operation with existing Japanese systems throughout Manchuria. Moreover, arrangements have been made between the Japanese and the North-Eastern Telegraph Administration for through telegrams from or to any place in Manchuria and to or from any place in Kwantung Leased Territory, Japan, Korea, Formosa, and the South Sea Islands. Between the principal centres in North Manchuria and the Japanese post offices at Dairen, Mukden and Changchun, direct circuit lines have been constructed to ensure the quick transmission of messages.

Japanese " kana " ¹ messages have been given especially low rates. To learn to handle Japanese " kana " syllables, special training is being given to the Chinese staff, and it is planned to have Japanese clerks gradually join the Chinese telegraph workers at the chief centres. Thus, every facility has been given to favour telegraphic intercourse between Manchuria and the whole Japanese Empire. Naturally, the commercial connections between the countries are thereby greatly strengthened.

After the events of September 18th - 19th, the Japanese authorities issued orders to the offices and banks in which the revenue of the Salt Gabelle was retained that no payment from these funds was to be made without their consent.

Supervision over the Salt Gabelle was insisted upon on the ground that the greater part of the revenue from this source, though nominally national, had in fact been retained by Marshal Chang Hsueh-liang's Government. Income from this source, in 1930, had amounted to about \$25,000,000 silver, of which \$24,000,000 had been retained in Manchuria. Only \$1,000,000 had been remitted to the Inspectorate-General of the Salt Gabelle in Shanghai.

After Marshal Chang Hsueh-liang had joined the National Government in December 1928, he agreed to pay the monthly quota of \$86,600 silver which had been fixed as the amount due from Manchuria towards the loans secured on the Salt Gabelle. Somewhat later, in April 1930, a revised table was announced in which the Manchurian monthly quota was raised to \$217,800. Because of local pressure upon the Manchurian finances, however, Marshal Chang requested a postponement of the new assignment. At the time of the Mukden incident, his arrears amounted to \$576,200. The first remittance at the new rate of \$217,800 was actually made on September 29th, 1931, by consent of the Japanese Army officers. Since then, to March 1932 inclusive, the newly-established authorities in Manchuria have remitted to the Central Government, not only these monthly quotas, but also the quota arrears left unpaid by Marshal Chang Hsueh-liang. The surplus from the Salt revenue, however, they regarded as Manchurian, and not national, income, and therefore considered that they were justified in retaining it for local purposes.

After the Mukden Committee for the Maintenance of Peace and Order had been transformed into the Provincial Government *ad interim*, it ordered the District Salt Inspectorate at Newchwang to transfer all its funds to the Provincial Bank for disbursement by the Board of Finance. According to Chinese official reports, the Bank of China at Newchwang was likewise,

¹ A Japanese phonetic script.

The Chinese Telephone, Telegraph and Radio Systems.

The Salt Gabelle. The Japanese military authorities took control, in September 1931, of the funds of the Salt Gabelle.

Marshal Chang Hsueh-liang agreed in 1928 to pay the Manchurian quota.

The seizure of Salt funds at Newchwang (Yinkow) in October and November 1931.

on October 30th, forced to give up the Salt funds on deposit, amounting to \$672,709.56 silver without authority from the original depositors. A receipt was given in the name of the Liaoning Finance Board, which was signed only by the Japanese adviser to that Board.

The new Kirin Provincial Government took similar steps with regard to the Salt Transportation Office of Kirin and Heilungkiang. According to Chinese official report, it demanded the transfer of the Salt revenue to its provincial treasury. When the Chief of the Office refused, he was detained for some days and replaced by a nominee of Governor Hsi Hsia, who, on October 22nd, forcibly took possession of the Office, while the Auditorate Office was closed under Governor Hsi Hsia's orders. In this case, too, the Salt funds deposited in the Bank of China and the Bank of Communications were claimed by the new Kirin authorities and, on November 6th, were transferred to the Provincial Bank. Since then, Salt funds have from time to time been withdrawn and expended by the local authorities, while the monthly quotas have been sent regularly to Shanghai. From October 30th, 1931, to August 25th, 1932, for which period Chinese official figures are available, Salt revenue amounting to \$14,000,000 silver was retained in Manchuria.

The Salt Administration throughout Manchuria continued to function, although under the restrictions described and under supervision, until March 28th, when the Minister of Finance of the " Manchukuo Government " ordered that the deposits, accounts, documents, and other properties belonging to the Inspectorate should be handed over on the following day to the Salt Comptroller of " Manchukuo ", and that the collection of Salt revenue, which was originally undertaken by the Bank of China, should be transferred to the Bank of the Three Eastern Provinces. He stated that those officials who wished to continue their service in the Salt Gabelle Administration of the " Manchukuo " should report their names to the Salt Comptroller's Office, and promised that their applications would receive serious consideration provided they first renounced allegiance to the Government of the Republic of China.

On April 15th, the District Inspectorate at Newchwang was dissolved by force. The Director and Deputy-Director were put out of office. The premises were occupied, and safes and documents and seals were seized. The remaining officials were requested to continue their service, but they are all reported to have refused. A number of those who had been in the Salt Administration followed the Director to Tientsin and waited for further instructions from Shanghai. The work of the former Salt Inspectorate in the Three Eastern Provinces was thus completely taken over by the new Comptroller's Office of " Manchukuo ". The new Government, however, has stated that it is prepared to continue to pay its equitable proportion of the sums required for the service of the foreign loans secured on the Salt revenue.

Since the Customs funds collected in Manchuria had always been remitted to the Central Government, the Japanese military authorities did not interfere with the Customs administration nor with the remittance of funds to Shanghai. Interference with this revenue was first made by the " Manchukuo Government " on the ground that their State was independent.

One of the first acts of the North-Eastern Administrative Committee, which was established on February 17th as the Provincial " Government of Manchukuo ", was to instruct the Superintendents of Customs at the Manchurian Treaty ports that, although the Customs revenue belonged of right to " Manchukuo " and would, in the future, be under the control of the Committee, for the time being the Superintendents and Commissioners of Customs should carry on their duties as usual. They were informed that a Japanese Customs Adviser had been appointed at each Manchurian

The new Kirin Provincial Government also seized the Salt Revenue.

The " Government of Manchukuo " took over the administration of the Salt Gabelle.

The Customs.

Customs revenue in Manchuria.

port for the purpose of supervising the general Customs administration. The ports concerned were Lungchingsun, Antung, Newchwang and Harbin, together with some sub-stations, at which the revenue collected in 1931 amounted respectively to Hk. Tls. 574,000, 3,682,000, 3,792,000, and 5,272,000. The port of Aigun, which is still outside the sphere of control of the "Manchukuo Government", is functioning under the Chinese Customs Service. The port of Dairen, in the Kwantung Leased Territory, has a distinct status. The fact that the Customs revenue collected in the Manchurian ports, including Dairen, amounted in 1930 to 14.7 per cent and in 1931 to 13.5 per cent of the total for all China shows the importance of Manchuria in the Chinese Customs Administration.

The procedure by which the "Manchukuo" authorities took over the entire Customs administration in Manchuria is well illustrated by the action taken at Antung, which has been described as follows by the Inspector-General of Customs:

A Japanese Customs Adviser was appointed to the Antung Customs Office in March, but he took no active steps until the middle of June, when he sent definite orders from the "Manchukuo" Ministry of Finance to the Bank of China that Customs funds were no longer to be remitted to Shanghai. On June 16th, four armed "Manchukuo" police, accompanied by the Assistant Superintendent of Police, a Japanese, visited the Bank of China and informed the Manager that they had come to guard the revenue. On June 19th, the Bank of China handed over to the Bank of the Three Eastern Provinces Tls. 783,000, and informed the Commissioner that this action was taken as a result of *force majeure*.

On June 26th and 27th, a Japanese Adviser of the "Manchukuo Government" demanded that the Customs House at Antung should be handed over to him. The Commissioner refused, but "Manchukuo" police, all Japanese, forced the Commissioner to leave the Customs House. The Commissioner, however, still attempted to carry on the Customs work in his home, since 80 per cent of the Antung Customs revenue is collected in the railway area, hoping that the Japanese authorities would not permit interference within this area. But the "Manchukuo" police entered the Japanese railway zone, arrested a number of Customs staff, intimidated the others, and forced the Commissioner to suspend the Chinese Customs Service.

Until June 7th, the Dairen Customs revenue was remitted to Shanghai at intervals of three or four days, but, under date of June 9th, the "Manchukuo Government" gave notice that these remittances should no longer be made. When no further funds reached Shanghai, the Inspector-General of Customs took up the matter by telegraph with the Japanese Commissioner at Dairen. As a result, the Commissioner refused to send on the Customs receipts on the ground that the Chief of the Foreign Section of the Government of the Japanese Leased Territory had advised him that the remittance of the Customs revenue might severely affect Japanese interests. The Inspector-General therefore, on June 24th, dismissed the Dairen Commissioner for insubordination.

The "Manchukuo Government", on June 27th, appointed the dismissed Commissioner and the members of his staff as "Manchukuo" officials, to serve in their former positions. It had threatened to establish a new Customs House at Wafangtien, on the frontier of the Leased Territory, if the Japanese authorities should prevent them from taking charge of the Dairen Customs. The Japanese authorities of the Leased Territory did not oppose the passing of the Customs administration into the hands of the newly appointed "Manchukuo" officials. They maintained that the problem did not concern Japan, but was an issue solely between "Manchukuo" on the one hand and the Government of China and its Dairen Commissioner on the other.

The
"Government
of
Manchukuo"
took over the
Customs
Administration
and Revenue,
March-June
1932.

The Customs
situation at
Dairen.

The "Manchukuo Government" maintains that, since "Manchukuo" is an independent State, it exercises, of right, complete jurisdiction over the Customs administration of its territory. But it has stated that, in view of the fact that various foreign loans and indemnities were based upon the Chinese Customs revenue, it is prepared to pay its equitable proportion of the annual sums necessary to meet these obligations. It hopes that, after depositing this amount in the Yokohama Specie Bank, there will be a Customs surplus for 1932-33 available for local use of about \$19,000,000 silver.

The Japanese military authorities in Manchuria, after September 18th, did not greatly interfere with the Post Office, apart from exercising a certain censorship of newspapers and letters. After the establishment of "Manchukuo", the Government desired to take over the postal services of the territory, and appointed, on April 14th, special officers to take charge of the transfer of the Postal Administration. On April 24th, it applied for permission to join the International Post Union, for which it has not yet qualified.

As the Postal Commissioners refused to surrender their offices, the *status quo* was for some time respected, although "Manchukuo" supervisors were placed in certain offices with a view to exercising a measure of control. The "Manchukuo Government", however, finally decided to issue its own stamps and to discontinue the use of the Chinese stamps. By ordinance of the Ministry of Communications of July 9th, it informed the public that the new stamps and cards would be offered for sale on August 1st. At this stage, the Chinese Government ordered the Postal Commissioners to close the office in Manchuria and to give the staff the choice of receiving three months' pay or of returning to designated bases in China for service at other places. The "Manchukuo" authorities, in turn, offered to take into their service all the postal employees who wished to remain, and promised to guarantee their financial and other rights acquired under the Chinese Administration. On July 26th, the "Manchukuo Government" took over completely the postal service throughout Manchuria.

The "Manchukuo Government" has stated that it will respect private property and all concessions awarded by either the Central Government of China or by the former Government of Manchuria, provided the concessions were legally granted in accordance with the laws and regulations previously in force. It has also promised to pay the lawful debts and obligations of the former administration and has appointed a Commission to pass upon claims of indebtedness. In regard to the properties belonging to Marshal Chang Hsueh-liang and some of the other prominent leaders of the former regime, it is yet too early to state what action will be taken. According to Chinese official reports, all the personal property of Marshal Chang Hsueh-liang, General Wan Fu-lin, General Po Yu-lin, and certain others has been confiscated. The "Manchukuo" authorities, however, take the view that, since the former Government officials used their power to amass wealth for themselves, they are not yet prepared to recognise property thus acquired as properly "private property". A careful investigation is being made of the possessions of the former officials. This is reported to have been finished as far as Bank deposits are concerned.

Having thus described the organisation of the "Manchukuo Government", its programme, and some of the measures it has taken to affirm its independence from China, we must state our conclusions regarding its operations and its principal characteristics.

The programme of this "Government" contains a number of liberal reforms the application of which would be desirable, not only in Manchuria, but also in the rest of China; in fact, many of these reforms figure equally in the programme of the Chinese Government. In their interviews with

The view of
the
"Manchukuo
Government"
regarding the
Customs.

The Postal
Administration
in Manchuria.

The treatment
of private
property.

Comments.

the Commission, the representatives of this "Government" claimed that, with the help of the Japanese, they would be able to establish peace and order within a reasonable time and would thereafter be able to maintain it permanently. They expressed the belief that they would be able to secure the support of the people in time by assuring them an honest and efficient administration, security from bandit raids, lower taxation as the result of reduced military expenditure, currency reform, improved communications and popular political representation.

But, after making every allowance for the short time which has hitherto been at the disposal of the "Manchukuo Government" for carrying out its policy, and after paying due regard to the steps already taken, there is no indication that this "Government" will in fact be able to carry out many of its reforms. To mention but one example¹: there seem to be serious obstacles in the way of the realisation of their budgetary and currency reforms. A thorough programme of reforms, orderly conditions and economic prosperity could not be realised in the conditions of insecurity and disturbance which existed in 1932.

As regards the "Government" and the public services, although the titular heads of the Departments are Chinese residents in Manchuria, the main political and administrative power rests in the hands of Japanese officials and advisers. The political and administrative organisation of the "Government" is such as to give to these officials and advisers opportunities, not merely of giving technical advice, but also of actually controlling and directing the administration. They are doubtless not under the orders of the Tokyo Government, and their policy has not always coincided with the official policy either of the Japanese Government or of the Headquarters of the Kwantung Army. But in the case of all-important problems, these officials and advisers, some of whom were able to act more or less independently in the first days of the new organisation, have been constrained more and more to follow the direction of Japanese official authority. This authority, in fact, by reason of the occupation of the country by its troops, by the dependence of the "Manchukuo Government" on those troops for the maintenance of its authority both internally and externally, in consequence, too, of the more and more important role entrusted to the South Manchuria Railway Company in the management of the railways under the jurisdiction of the "Manchukuo Government", and finally by the presence of its consuls, as liaison agents, in the most important urban centres, possesses in every contingency the means of exercising an irresistible pressure. The liaison between the "Manchukuo Government" and Japanese official authority is still further emphasised by the recent appointment of a special ambassador, not officially accredited, but resident in the capital of Manchuria, exercising in his capacity of Governor-General of the Kwantung Leased Territory a control over the South Manchuria Railway Company and concentrating in the same office the authority of a diplomatic representative, the head of the Consular Service, and Commander-in-chief of the Army of Occupation.

The relations between "Manchukuo" and Japan have hitherto been somewhat difficult to define, but the latest information in the possession of the Commission indicates that it is the intention of the Japanese Government to define them before long. A letter dated August 27th, 1932, addressed to the Commission by the Japanese Assessor, states that the Special Ambassador, General Muto, "left Tokyo on August 20th for Manchuria. On arrival he will commence negotiations for the conclusion of a fundamental treaty concerning the establishment of friendly relations between Japan and Manchuria. The Government of Japan regards the conclusion of this treaty as a formal recognition of "Manchukuo".

¹ See special studies Nos. 4 and 5, annexed to this Report.

PART III. — THE OPINIONS OF THE INHABITANTS OF MANCHURIA.

It was one of the objects of the Commission to ascertain the attitude of the inhabitants of Manchuria towards the new "State". Owing to the circumstances in which the enquiry had to be made, however, the obtaining of evidence presented some difficulty. The danger, real or supposed, to the Commission from bandits, Korean Communists, or supporters of the new Government who might be angered by the presence of the Chinese Assessor on account of his criticisms of that regime, provided a reason for exceptional measures of protection. There were no doubt occasional real dangers in the unsettled conditions of the country, and we are grateful for the efficient protection with which we were provided throughout our tour. But the effect of the police measures adopted was to keep away witnesses; and many Chinese were frankly afraid of even meeting members of our staff. We were informed at one place that, before our arrival, it had been announced that no one would be allowed to see the Commission without official permission. Interviews were therefore usually arranged with considerable difficulty and in secrecy, and many informed us that it was too dangerous for them to meet us even in this way.

In spite of these difficulties, we were able to arrange private interviews with business-men, bankers, teachers, doctors, police, tradesmen and others, in addition to our public interviews with "Manchukuo" officials, Japanese consuls and military officers. We also received over 1,500 written communications, some delivered by hand, the majority sent by post to different addresses. The information so received was checked as far as possible from neutral sources.

Many delegations representing public bodies and associations were received, and usually presented to us written statements. Most of the delegations were introduced by the Japanese or "Manchukuo" authorities, and we had strong grounds for believing that the statements left with us had previously obtained Japanese approval. In fact, in some cases persons who had presented them informed us afterwards that they had been written or substantially revised by the Japanese and were not to be taken as the expression of their real feelings. These documents were remarkable for the studied neglect to comment either favourably or otherwise upon Japanese participation in the establishment or maintenance of the "Manchukuo" administration. In the main, these statements were concerned with the relation of grievances against the former Chinese administration and contained expressions of hope and confidence in the future of the new "State".

The letters received came from farmers, small tradesmen, town workers and students, and related the feelings and experiences of the writers. After the return of the Commission to Peiping in June, this mass of correspondence was translated, analysed and arranged by an expert staff specially selected for the purpose. All these 1,550 letters, except two, were bitterly hostile to the new "Manchukuo Government" and to the Japanese. They appeared to be sincere and spontaneous expressions of opinion.

The higher Chinese officials of the "Manchukuo Government" are in office for various reasons. Many of them were previously in the former regime and have been retained either by inducements or by intimidation of one kind or another. Some of them conveyed messages to the Commission to the effect that they had been forced to remain in office under duress, that all power was in Japanese hands, that they were loyal to China, and that what they had said at their interviews with the Commission in the presence of the Japanese was not necessarily to be believed. Some officials have remained in office to prevent their property from being confiscated, as has happened in the case of some of those who have fled into China.

Attitude of the
inhabitants of
Manchuria.

Deputations
and prepared
statements.

Letters.

Officials of the
"Manchukuo"

Others, men of good repute, joined in the hope that they would have power to improve the administration, and under promise of the Japanese that they would have a free hand. Some Manchus joined in the hope of getting benefits for persons of Manchu race. Some of these have been disappointed and complained that no real authority was conceded to them. Lastly, a few men are in office because they had personal grievances against the former regime or for reasons of profit.

Minor and local officials.

The minor and local officials have in the main retained their offices under the new regime, partly because of the necessity for earning a living and supporting their families and partly because they feel that if they go worse men might be put in their place. Most of the local magistrates have also remained in office, partly from a sense of duty to the people under their charge and partly under pressure. While it was often difficult to fill the higher posts with reputable Chinese, it was an easy matter to get Chinese for service in minor posts and local offices, though the loyalty of the service rendered in such circumstances is at least questionable.

Police.

The "Manchukuo" Police are partly composed of members of the former Chinese police, partly of new recruits. In the larger towns, there are actually Japanese officers in the police, and in many other places there are Japanese advisers. Some individual members of the police who spoke to us expressed their dislike of the new regime, but said they must continue to serve to make a living.

Army.

The "Manchukuo" Army also consists in the main of the former Manchurian soldiers re-organised under Japanese supervision. Such troops were at first content to take service under the new regime provided they were merely required to maintain local order. But, since they have on occasions been called upon to engage in serious warfare against Chinese forces and to fight under Japanese orders side by side with Japanese troops, the "Manchukuo" Army has become increasingly unreliable. Japanese sources report the frequent defection of "Manchukuo" forces to the Chinese side, while the Chinese claim that one of their most reliable and fruitful sources of warlike supplies is the "Manchukuo" Army.

Business-men and bankers.

The Chinese business-men and bankers who were interviewed by us were hostile to "Manchukuo". They disliked the Japanese; they feared for their lives and property, and frequently remarked: "We do not want to become like the Koreans." After September 18th, there was a large exodus of business-men to China, but some of the less rich ones are now returning. Generally speaking, the smaller shopkeepers expect to suffer less from Japanese competition than do the larger merchants and manufacturers, who often had profitable relations with the former officials. Many shops were still closed at the time of our visit. The increase in banditry adversely affected business in the countryside, and the machinery of credit has largely broken down. The announced Japanese intention to exploit Manchuria economically, and the numerous visits of Japanese economic missions to Manchuria in the last few months, have caused apprehension among Chinese business-men, in spite of the fact that many of these missions are reported to have returned to Japan disappointed.

Professional classes : doctors, teachers, students.

The professional classes, teachers and doctors, are hostile to "Manchukuo". They allege that they are spied upon and intimidated. The interference with education, the closing of Universities and some schools, and the alterations in the school text-books, have added to their hostility, already great on patriotic grounds. The censorship of the Press, post and opinion is resented, as is also the prohibition of the entry into "Manchukuo" of newspapers published in China. There are, of course, Chinese who have been educated in Japan who are not included in this generalisation. Many letters were received from students and young people directed against "Manchukuo".

Farmers and town workers.

Evidence regarding the attitude of farmers and town workers is divergent and naturally difficult to obtain. Opinion among foreigners and educated Chinese was to the effect that they were either hostile or indifferent to "Manchukuo". The farmer and worker is politically uneducated, usually illiterate, and normally takes little interest in the Government. The following reasons were advanced by witnesses for the agricultural populations being hostile to "Manchukuo", and were confirmed in some of the letters received from this class of person. The farmers have good grounds for believing that the new regime will lead to an increased immigration of Koreans, and possibly of Japanese. The Korean immigrants do not assimilate with the Chinese, and their methods of agriculture are different. While the Chinese farmer mainly grows beans, kaoliang and wheat, the Korean farmer cultivates rice. This means digging canals and dykes and flooding the fields. If there are heavy rains, the dykes built by the Koreans are liable to burst and flood neighbouring Chinese land, ruining the crops. There have also been constant quarrels in the past with Koreans over land ownership and rents. Since the establishment of "Manchukuo" the Chinese allege that the Koreans have often ceased to pay rent, that they have seized lands from the Chinese, and that the Japanese have forced the Chinese to sell their lands at an unfavourable price. The farmers near the railways and towns have suffered from orders forbidding the planting of kaoliang — a crop which grows to ten feet in height and favours the operations of bandits — within five hundred metres of railway lines and towns. The falling-off of the seasonal migration of labourers from China proper, due to the economic depression and accentuated to some extent by the political disturbances, continues. The public lands, usually available on terms to immigrants from China, have now been taken over by "Manchukuo".

Since September 18th, 1931, there has been an unparalleled growth of banditry and lawlessness in the countryside, partly due to disbanded soldiery and partly due to farmers who, having been ruined by bandits, have to take to banditry themselves for a living. Organised warfare, from which Manchuria, compared to the rest of China, had been free for many years, is now being waged in many parts of the Three Provinces between Japanese and "Manchukuo" troops and the scattered forces still loyal to China. This warfare naturally inflicts great hardships on the farmers, especially as the Japanese aeroplanes have been bombing villages suspected of harbouring anti-"Manchukuo" forces. One result has been that large areas have not been planted, and next year the farmer will find it harder than ever to pay his taxes. Since the outbreak of disorders, large numbers of the more-recently-established immigrants from China have fled back inside the Wall. These material reasons, when added to a certain ingrained dislike of the Japanese, caused many witnesses to tell us that the Chinese farmers, who constitute the overwhelming mass of the population of Manchuria, suffer from and dislike the new regime, and that their attitude is one of passive hostility.

As regards the townspeople, in certain places they have suffered from the attitude of Japanese soldiers, gendarmes and police. Generally speaking, the behaviour of the Japanese troops has been good, there being no widespread lootings or massacres, though we have received in our letters complaints of individual brutality. On the other hand, the Japanese have been vigorous in suppressing elements that they believed to be hostile. The Chinese allege that many executions have taken place, and also that prisoners have been threatened and tortured in Japanese gendarmerie stations.

It was, we were told, impossible to stimulate in the towns a show of popular enthusiasm for the inauguration ceremonies of "Manchukuo".

Minorities.

Generally speaking, the attitude of the town population is a mixture of passive acquiescence and hostility.

While we found the Chinese majority either hostile or indifferent to the "Manchukuo", the new Government receives some support from among various minority racial groups in Manchuria, such as the Mongols, Koreans, White Russians and Manchus. They have in varying degrees suffered oppression from the former administration, or economic disadvantage from the large immigration of Chinese in the last few decades, and, while no section is entirely enthusiastic, they hope for better treatment from the new regime, whose policy in turn is to encourage these minority groups.

Mongols.

The Mongols have remained a race apart from the Chinese and have, as already stated, preserved a strong race-consciousness, as well as their tribal system, aristocracy, language, dress, special modes of life, manners, customs and religion. Though still mainly a pastoral people, they are increasingly engaged in agriculture and in the transportation of products by carts and animals. The Mongols bordering Manchuria have suffered increasingly from Chinese immigrants who obtain possession of and cultivate their lands from which they are being gradually extruded. This leads to chronic and unavoidable ill-feeling. Mongol delegations we received complained also of past sufferings from the rapaciousness of Chinese officials and tax-gatherers. The Mongols of Inner Mongolia have seen Outer Mongolia pass under the influence of the U.S.S.R., whose extension to Inner Mongolia they dread. They wish to preserve their separate national existence against the encroachments of the Chinese on the one hand and the U.S.S.R. on the other. Placed in this precarious position, they have greater hope of preserving their separate existence under the new regime. It must be observed, moreover, that the Princes are mainly dependent for their wealth on fixed property and on their special privileges, and that they therefore tend to become amenable to *de facto* authorities. A deputation, however, of Mongol Princes was received by the Commission in Peiping and stated their opposition to the new regime. At present, the connection between the Mongols bordering on Manchuria and the "Manchukuo Government" is undefined, and the "Manchukuo Government" has so far refrained from interfering in their administration. While the support of certain of these Mongol elements at present is genuine, if cautious, they are quite prepared to withdraw it should the Japanese prove a menace to their independence or economic interests at some future date.

Manchus.

The Manchus have been almost completely assimilated with the Chinese, although in Kirin and Heilungkiang there still exist small and politically unimportant colonies of Manchus who, though bilingual, remain distinctly Manchu. Since the establishment of the Republic, the remnants of the Manchu race lost their privileged position: although the Republic promised to continue the payment of their subsidies, they were paid in depreciated currency, and were therefore forced to take up farming and trade, in which they had no experience. The few distinct Manchu groups that remain may cherish hopes that, with the establishment of "Manchukuo", whose backers spoke so often about the inhabitants of Manchuria being distinct in race from those of the rest of China, and in which the last of the Manchu Emperors is the chief executive, they may once more get privileged treatment. Persons of Manchu race have entered the Government with such hopes, but Chinese witnesses in Manchuria alleged that these office-holders have been disillusioned by finding all the power in Japanese hands and their own proposals ignored. Although there may still exist some sentimental loyalty to the ex-Emperor among persons of Manchu blood, there does not exist any race-conscious Manchu movement of any significance. They have been so largely assimilated with the Chinese that, although efforts have been made to recruit Manchus for the administration

and to stimulate Manchu race-consciousness, this source of support for the new Government is not sufficient to give it any title to represent the people.

In the past, there has been much friction between Korean¹ farmers backed by the Japanese authorities on the one hand, and Chinese officials, landowners and farmers on the other. There is no doubt that, in the past, Korean farmers suffered from violence and extortion.

The Korean deputations which appeared before the Commission generally welcomed the new regime, but we cannot say to what extent they were representative of their community. In any case, those Koreans who are political refugees having emigrated to escape Japanese domination might not be expected to welcome an extension of that domination. These refugees have proved a fertile ground for Communist propaganda, and maintain contact with the revolutionary groups inside Korea.¹

Of all the minority communities in Manchuria, the small colony of White Russians — at least 100,000 in number — in and around Harbin has suffered the most in recent years. Because they are a minority community with no national Government to protect them, they have been subjected to every kind of humiliation by the Chinese officials and police. They are in conflict with the Government of their own country and are, even in Manchuria, in constant anxiety on that account. The richer and more educated members of their community can earn a livelihood, but they have been liable to suffer whenever the Chinese authorities have thought some advantage was to be gained from the U.S.S.R. at their expense. The poorer members find it very hard to make a living and have suffered continually at the hands of the police and the Chinese courts. In a province where taxes are assessed by a process of bargaining, they have been made to pay a higher portion of their assessed taxes than their Chinese neighbours. They have experienced many restrictions on their trade and movements and have had to pay bribes to the officials to have their passports examined, their contracts approved or their land transferred. It is not to be wondered at that many members of this community, whose condition could not well be made worse, should have welcomed the Japanese and now entertain hopes that their lot may be improved under the new administration.

We received a deputation of White Russians when we were in Harbin, as well as many letters, and we gathered from them that they would support any regime which would guarantee to them:

- (1) The right of asylum;
 - (2) An honest and efficient police administration;
 - (3) Justice in the law courts;
 - (4) An equitable system of taxation;
 - (5) Rights of trade and settlement, not dependent on the payment of bribes;
 - (6) Facilities for educating their children.
- Their requirements in this respect were chiefly efficient teaching of foreign languages to enable them to emigrate, and good technical education to enable them to obtain business employment in China.
- (7) Some assistance regarding land settlement and emigration.

Such are the opinions of the local population conveyed to us during our tour in Manchuria. After careful study of the evidence presented to us in public and private interviews, in letters and written statements, we have come to the conclusion that there is no general Chinese support for the "Manchukuo Government", which is regarded by the local Chinese as an instrument of the Japanese.

¹ See also Chapter III and special study No. 9, annexed to this Report.

Koreans.

White Russians.

Conclusions of the Commission.

Chapter VII.

JAPAN'S ECONOMIC INTERESTS AND THE
CHINESE BOYCOTT^{1 2}.Chinese boycott
of Japanese
goods an
important
factor in
Sino-Japanese
struggle.Japan's over-
population.Agrarian
difficulties.

The three preceding chapters have been chiefly confined to a description of military and political events since September 18th, 1931. No survey of the Sino-Japanese conflict would be accurate or complete without some account of another important factor in the struggle — namely, the Chinese boycott of Japanese goods. To understand the methods employed in this boycott movement and their effect on Japanese trade, some indication must be given of the general economic position of Japan, of her economic and financial interests in China, and of the foreign trade of China. This is also necessary to understand the extent and character of the economic interests of both China and Japan in Manchuria, which will be discussed in the next chapter.

During the Meiji Restoration period in the sixties of the last century, Japan emerged from her isolation of over two centuries, and within less than fifty years developed into a world Power of the first rank. A population formerly almost stationary started to grow rapidly from 33,000,000 in 1872 until it reached a figure of 65,000,000 in 1930; and this tremendous growth still continues at the rate of about 900,000 per year.

The population of Japan compared with its total surface is approximately 437 persons per square mile, as against about 41 in the United States, 330 in Germany, 349 in Italy, 468 in the United Kingdom, 670 in Belgium and 254 in China.

Comparing the population of Japan per square mile of *arable* land with that of other countries, the ratio for Japan is exceptionally high, due to the particular geographical formation of the Island Empire :

Japan	2,774	Germany	806
The United Kingdom. . .	2,170	France	467
Belgium	1,709	United States of America. .	229
Italy	819		

Due to a highly concentrated population on agricultural land, the individual holdings are exceedingly small, 35 per cent of the farmers tilling less than one acre and 34 per cent less than two and a-half acres. The expansion limit of tillable land has been reached, as has also the limit of cultivation intensity — in short, the soil of Japan cannot be expected to produce much more than it does to-day, nor can it provide much additional employment.

Moreover, as a result of intensive cultivation and the widespread use of fertilisers, the cost of production is high.

The price of land is far higher than in any other part of Asia, and even in the most overcrowded parts of Europe. Much discontent seems to exist amongst the heavily indebted population, and conflicts between tenants and landowners are on the increase. Emigration has been considered a possible remedy, but, for reasons dealt with in the next chapter, it has not, up to the present time, proved to be a solution.

¹ "BOYCOTT"... The word was first used in Ireland, and was derived from the name of Captain Charles Cunningham Boycott (1832-1897), agent for the estates of the Earl of Erne in County Mayo. For refusing in 1880 to receive rents at figures fixed by the tenants, Captain Boycott's life was threatened, his servants were compelled to leave him, his fences torn down, his letters intercepted and his food supplies interfered with. The term soon came into common English use, and was speedily adopted into many foreign languages. — *Encyclopædia Britannica*.

² See special study (No. 8) on this subject, annexed to this Report.

Japan at first turned to industrialism to foster the growth of an urban population which would both provide a home market for agricultural products and turn labour to the production of goods for domestic and foreign use. Several changes have occurred since that time. Where, formerly, Japan was more than self-sufficing from the point of view of food supply, of recent years from 8 to 15 per cent of its total imports have been foodstuffs, the fluctuation being due to the varying conditions of the home crops, principally rice. The importation of foodstuffs, and the probable increasing need of these imports, necessitate an attempt to offset the country's already unfavourable trade balance by an increase in exports of industrial products.

If Japan is to find employment for her increasing population through the process of further industrialisation, the development of her export trade and of foreign markets capable of absorbing an increasing amount of her manufactured and semi-manufactured goods becomes more and more essential. Such markets would, at the same time, serve as a source of supply of raw materials and of foodstuffs.

Japanese export trade, as hitherto developed, has two main directions: her luxury product, raw silk, goes to the United States of America and her staple manufactures, chiefly cotton textiles, go to the countries of Asia, the United States taking 42.5 per cent of her exports and the Asia market as a whole taking 42.6 per cent. Of this latter trade, China, the Kwantung Leased Territory and Hong-Kong take 24.7 per cent, and a large share of the remainder is handled by Chinese merchants in other parts of Asia.¹

During 1930, the last year for which complete figures are available, the total exports of Japan amounted to 1,469,852,000 Yen, and her imports to 1,546,071,000 Yen. Of the exports, 260,826,000 Yen, or 17.7 per cent, went to China (excluding the Kwantung Leased Territory and Hong-Kong), while, of the imports, 161,667,000 Yen, or 10.4 per cent, came from China (excluding the Kwantung Leased Territory and Hong-Kong).

Analysing the principal commodities exported by Japan to China, it will be found that China takes 32.8 per cent of all aquatic products exported by Japan; 84.6 per cent of refined sugar; 75.1 per cent of coal and 31.9 per cent of cotton tissues, or an average of 51.6 per cent.

The same analysis applied to the commodities imported from China shows that 24.5 per cent of the total amount of beans and peas imported by Japan comes from China; 53 per cent of the oil-cake; and 25 per cent of vegetable fibres; or an average of 34.5 per cent.

As these figures are for China only, excluding Hong-Kong and the Kwantung Leased Territory, they do not indicate the extent of Japanese trade with Manchuria, which passes mainly through the port of Dairen.

The facts and figures just given clearly show the importance to Japan of her trade with China. Nor is Japan's interest in China limited to trade alone; she has a considerable amount of capital invested in industrial enterprises, as well as in railways, shipping and banking, and, in all of these branches of financial and economic activity, the general trend of development has been increasing considerably during the last three decades.

In 1898, the only Japanese investment of any consequence was a small cotton gin in Shanghai owned jointly with Chinese, representing a value of about 100,000 taels. By 1913, the estimated total of Japanese investments in China and Manchuria amounted to 435,000,000 Yen out of a total of 535,000,000 Yen estimated investments abroad. By the end of the World War, Japan had more than doubled her investments in China and Manchuria over those of 1913, a considerable part of this increase being due to the famous "Nishihara loans", which had been partially granted for political considerations. Notwithstanding this setback, Japan's investments in China and Manchuria in 1929 were estimated at almost 2,000,000,000

¹ Figures for 1929 — *Japan Year-book of 1931*.

Need for
further
industrialisa-
tion.China a market
for Japanese
export trade.Importance of
Sino-Japanese
trade relations.Japanese
investments
in China.

Yen¹ out of her total investments abroad of 2,100,000,000 Yen, showing that Japan's investments abroad have been almost entirely confined to China and Manchuria, the latter having absorbed by far the greater part of this investment (particularly in railways).

Apart from these investments, China has been indebted to Japan for various State, provincial and municipal loans which, in 1925, were estimated at a total of 304,458,000 Yen (the greater part unsecured), plus 18,037,000 Yen interest.

Although the bulk of Japan's investments are in Manchuria, a considerable amount is invested in industries, shipping and banking in China proper. Nearly 50 per cent of the total number of spindles operated in the spinning and weaving industry in China in 1929 were owned by Japanese. Japan was second in the carrying trade of China, and the number of Japanese banks in China in 1932 is put at thirty, a few of which are joint Sino-Japanese enterprises.

Although the foregoing figures are stated from the standpoint of Japan, it is easy to see their relative importance from the standpoint of China. Foreign trade with Japan has held first place in the total foreign trade of China up to 1932. In 1930, 24.1 per cent of her exports went to Japan, while in the same year 24.9 per cent of her imports came from Japan. This, in comparison with the figures from Japan's standpoint, shows that the trade of China with Japan is a greater percentage of her total foreign trade than is the trade of Japan with China of the total foreign trade of Japan. But China has no investments, banking or shipping interests in Japan. China requires, above all else, to be able to export her products in increasing quantities to enable her to pay for the many finished products she needs and in order to establish a sound basis of credit on which to borrow the capital required for further development.

From the foregoing, it is evident that Sino-Japanese economic and financial relations are both extensive and varied, and, consequently, easily affected and disorganised by any disturbing factor. It also appears that, in its entirety, Japanese dependence on China is greater than China's dependence on Japan. Hence Japan is the more vulnerable and has more to lose in case of disturbed relations.

It is therefore clear that the many political disputes which have arisen between the two countries since the Sino-Japanese war of 1895 have in turn affected their mutual economic relations, and the fact that, in spite of these disturbances, the trade between them has continued to increase proves that there is an underlying economic tie that no political antagonism has been able to sever.

For centuries the Chinese have been familiar with boycott methods in the organisation of their merchants, bankers and craft guilds. These guilds, although they are being modified to meet modern conditions, still exist in large numbers and exercise great power over their members in the defence of their common professional interests. The training and attitude acquired in the course of this century-old guild life has been combined, in the present-day boycott movement, with the recent fervent nationalism of which the Kuomintang is the organised expression.

The era of modern anti-foreign boycotts employed on a national basis as a political weapon against a foreign Power (as distinct from a professional instrument used by Chinese traders against each other) can be said to have started in 1905, with a boycott directed against the United States of America because of a stipulation in the Sino-American Commercial Treaty, as renewed and revised in that year, restricting more severely than before the entry of Chinese into America. From that moment onward

¹ According to another estimate, Japan's investments in China, including Manchuria, total approximately 1,800,000,000 Yen.

China's
interests
in the
development
of trade
with Japan.

Sino-Japanese
economic and
financial
relations
easily affected
by any
disturbing
factor.

Origin of
boycott.

Modern
anti-foreign
boycotts.

until to-day there have been ten distinct boycotts which can be considered as national in scope (besides anti-foreign movements of a local character), nine of which were directed against Japan¹ and one against the United Kingdom.

If these boycotts are studied in detail, it will be found that each of them can be traced back to a definite fact, event or incident, generally of a political nature and interpreted by China as directed against her material interests or detriments to her national prestige. Thus, the boycott of 1931 was started as a direct sequel to the massacre of Koreans in July, following the Wanpaoshan incident in June of that year, and has been accentuated by the events at Mukden in September and at Shanghai in January 1932. Each boycott has its own immediately traceable cause, but none of the causes in themselves would have initiated economic retaliation on so extensive a scale had it not been for the mass psychology described in Chapter I. The factors contributing to the creation of this psychology are: a conviction of injustice (rightly or wrongly considered as such), an inherited faith in Chinese cultural superiority over foreigners, and a fervent nationalism of a Western type mainly defensive in aims but in which certain aggressive tendencies are not lacking.

Although a Society for the Regeneration of China (Hsing Chung Hui), which may be considered the pregenitor of the Kuomintang, was founded as far back as 1893, and although there can be no doubt that all the boycotts from 1905 to 1925 were launched with the war-cry of Nationalism, there is no concrete evidence that the original nationalist associations, and later the Kuomintang, had a direct hand in their organisation.

Inspired by Dr. Sun Yat-sen's new creed, Chambers of Commerce and Student Unions were fully capable of such a task, guided as they were by century-old secret societies, guild experience and guild mentality. The merchants furnished the technical knowledge, means of organisation and rules of procedure, while the students inspired the movements with the enthusiasm of their newly acquired convictions and their spirit of determination in the national cause, and helped to put them into operation. While the students were generally moved by nationalistic feelings alone, the Chambers of Commerce, though sharing those feelings, thought it wise to participate from a desire to control the operation of the boycott. The actual rules of the earlier boycotts were designed to prevent the purchase of the goods of the country against which the movement was directed. Gradually, however, the field of action was extended to a refusal to export Chinese goods to the country concerned or to sell or render services to its nationals in China. Finally, the avowed purpose of the more recent boycotts has become to sever completely all economic relations with the "enemy country".

It should be pointed out that the rules thus established were never carried out to the fullest extent, for reasons which have been fully dealt with in the special study annexed to this Report. Generally speaking, the boycotts have always had more impetus in the South, where nationalistic feelings found their first and most fervent adherents, than in the North, Shantung especially having withheld support.

¹ The date and immediate cause of each of these boycotts is:

- 1908 The *Tatsu Maru* incident.
- 1909 The Antung-Mukden Railway question.
- 1915 The "Twenty-one Demands".
- 1919 The Shantung question.
- 1923 Port Arthur and Dairen recovery question.
- 1925 May 30th incident.
- 1927 Despatch of troops to Shantung.
- 1928 Tsinan incident.
- 1931 The Manchurian affair (Wanpaoshan and Mukden events).

Causes of
these boycott
movements.

Boycott
movements
before 1925.

Boycott movement since 1925.
Action of the Kuomintang Party.

From 1925 onward, a definite change took place in the boycott organisation. The Kuomintang, having from its creation supported the movement, increased its control with each successive boycott until to-day it is the real organising, driving, co-ordinating and supervising factor in these demonstrations.

In doing this, the Kuomintang, as indicated by evidence in the possession of the Commission, did not dismiss the associations which had hitherto been responsible for the direction of boycott movements. It rather co-ordinated their efforts, systematised and made uniform their methods, and put unreservedly behind the movement the moral and material weight of its powerful party organisation. Having branches all over the country, possessing vast propaganda and information services, and inspired by a strong nationalistic sentiment, it rapidly succeeded in organising and stimulating a movement which had, up to that time, been somewhat sporadic. As a consequence, the coercive authority of the organisers of the boycotts over the merchant and the general public became stronger than ever before, although at the same time a fair margin of autonomy and initiative was left to the individual boycott associations.

Methods employed.

The boycott rules continued to vary according to local conditions, but, parallel with the strengthening of the organisation, the methods employed by the Boycott Societies became more uniform, more strict and effective. At the same time, the Kuomintang Party issued instructions prohibiting the destruction of commercial houses belonging to Japanese or the infliction of physical harm. This does not mean that the lives of Japanese in China have never been threatened in the course of a boycott, but as a whole it may be stated that, during the more recent boycotts, acts of violence against Japanese subjects have been less numerous and serious than in earlier days.

An examination of the technique of the methods employed shows that the atmosphere of popular sentiment without which no boycott could succeed is created by a formidable propaganda uniformly carried out all over the country, using slogans well chosen to incite the popular mind against the "enemy" country.

Anti-Japanese propaganda.

In the present boycott directed against Japan, which the Commission has seen in operation, every available means was employed to impress upon the people the patriotic duty of not buying Japanese goods. The columns of the Chinese Press were filled with propaganda of this kind; the walls of buildings in the towns were covered with posters, often of an extremely violent character¹; anti-Japanese slogans were printed on currency notes, on letters and telegram-forms; chain letters went from hand to hand, etc. These examples are by no means exhaustive, but serve to show the nature of the methods employed. The fact that this propaganda does not differ essentially from that used in certain countries of Europe and America during the World War 1914-1918 only proves the degree of hostility towards Japan which the Chinese have come to feel as a result of the political tension between the two countries.

Boycott rules adopted by Anti-Japanese Associations.

Essential as the political atmosphere of a boycott may be to its ultimate success, nevertheless no such movement could be effective if the boycott associations had not secured a certain uniformity in their rules of procedure. The four general principles adopted at the first meeting of the Shanghai Anti-Japanese Association held on July 17th, 1931, may serve as an illustration of the main objects aimed at by these rules. They were:

¹ In most cities visited by the Commission, these posters had been removed beforehand, but declarations from reliable local witnesses, who often possessed samples of these posters, bore out the fact mentioned above. Moreover, samples are to be found in the archives of the Commission.

- (a) To withdraw the orders for Japanese goods already ordered;
- (b) To stop shipment of Japanese goods already ordered but not yet consigned;
- (c) To refuse to accept Japanese goods already in the godowns but not yet paid for;
- (d) To register with the Anti-Japanese Association Japanese goods already purchased and to suspend temporarily the selling of these goods. The procedure of registration will be separately decided upon.

Subsequent resolutions adopted by the same Association are much more detailed and contain provisions for all possible cases and eventualities.

A powerful means of enforcing the boycott is the compulsory registration of Japanese goods held in stock by Chinese merchants. Inspectors of the anti-Japanese societies watch the movement of Japanese goods, examine those of doubtful origin in order to ascertain whether or not they are Japanese, undertake raids on stores and godowns where they suspect the presence of non-registered Japanese goods, and bring to the attention of their principals any case of the violation of the rules they may discover. Merchants who are found to be guilty of such a breach of the rules are fined by the Boycott Associations themselves, and publicly exposed to popular disapproval, while the goods in their possession are confiscated and sold at public auction, the proceeds going into the funds of the anti-Japanese organisation.

The boycott is not limited to trade alone. Chinese are warned not to travel on Japanese ships, to use Japanese banks or to serve Japanese in any capacity, either in business or in domestic service. Those who disregard these instructions are subjected to various forms of disapproval and intimidation.

Another feature of this boycott, as of previous ones, is the wish not only to injure Japanese industries, but to further Chinese industries by stimulating the production of certain articles which have hitherto been imported from Japan. The principal result has been an extension of the Chinese textile industry at the expense of Japanese-owned mills in the Shanghai area.

The boycott of 1931, organised on the lines just described, continued until about December of that year, when a certain relaxation became apparent. In January 1932, in the course of the negotiations then proceeding between the Mayor of Greater Shanghai and the Japanese Consul-General in that city, the Chinese even undertook to dissolve voluntarily the local anti-Japanese association.

During the hostilities in Shanghai, and the months immediately following the evacuation of the Japanese troops, the boycott, although never completely abandoned, was moderated, and during late spring and early summer it even looked as if Japanese trade in different parts of the country might resume. Then, quite suddenly, at the end of July and beginning of August, coinciding with the reported military activity on the borders of Jehol, there was a marked revival of the boycott movement. Articles urging the people not to buy Japanese goods appeared anew in the Chinese Press, the Shanghai Chamber of Commerce published a letter suggesting a resumption of the boycott, and the Coal Merchants' Guild in the same city decided to restrict to the minimum the importation of Japanese coal. At the same time, more violent methods were employed, such as the throwing of a bomb into the compound of a coal dealer suspected of having handled Japanese coal, and the sending of letters to store-keepers threatening to destroy their property unless they stopped selling Japanese commodities.

Fluctuations of the boycott movement in 1931-32.

Some of the letters reproduced in the newspapers were signed the "Blood-and-Iron Group" — or the "Blood-and-Soul Group for the Punishment of Traitors".

Such is the situation at the time of writing this Report. This recrudescence of the boycott activity caused the Japanese Consul-General in Shanghai to lodge a formal protest with the local authorities.

The various boycott movements, and the present one in particular, have seriously affected Sino-Japanese relations, both in a material and in a psychological sense.

As far as the material effects are concerned — that is, the loss of trade — the Chinese have a tendency to under-state them in their desire to present the boycott as rather a moral protest than as an act of economic injury, while the Japanese attach too absolute a value to certain trade statistics. The arguments used in this connection by the two parties are examined in the annexed study already referred to. In that study, also, will be found full particulars of the extent of the damage done to Japanese trade, which has certainly been considerable.

Another aspect of the subject should also be mentioned. The Chinese themselves suffer losses from goods already paid for, not registered with the Boycott Associations, and seized for public auction; from fines paid to the associations for violation of the boycott rules; from revenue not received by the Chinese Maritime Customs, and, generally speaking, from loss of trade. These losses are considerable.

The psychological effect of the boycott on Sino-Japanese relations, although even more difficult to estimate than the material effect, is certainly not less serious, in that it has had a disastrous repercussion on the feelings of large sections of Japanese public opinion towards China. During the visit of the Commission to Japan, both the Tokyo and the Osaka Chambers of Commerce stressed this subject.

The knowledge that Japan is suffering injuries against which she cannot protect herself has exasperated Japanese public opinion. The merchants whom we interviewed at Osaka were inclined to exaggerate certain abuses of boycott methods as racketeering and blackmailing, and to under-estimate or even to deny completely the close relationship between Japan's recent policy towards China and the use of the boycott as a defensive weapon against that policy. On the contrary, instead of regarding the boycott as China's weapon of defence, these Japanese merchants insisted that it was an act of aggression against which the Japanese military measures were a retaliation. Anyway, there is no doubt that the boycott has been amongst the causes which have profoundly embittered the relations between China and Japan in recent years.

There are three controversial issues involved in the policy and methods of the boycott.

The first is the question whether the movement is purely spontaneous, as the Chinese themselves claim, or whether, as the Japanese allege, it is an organised movement imposed upon the people by the Kuomintang by methods which at times amount to terrorism. On this subject much may be said on both sides. On the one hand, it would appear to be impossible for a nation to exhibit the degree of co-operation and sacrifice involved in the maintenance of a boycott over a wide area and for a long period if there did not exist a foundation of strong popular feeling. On the other hand, it has been clearly shown to what extent the Kuomintang, using the mentality and the methods which the Chinese people have inherited from their old guilds and secret societies, has taken control of the recent boycotts, and particularly of the present one. The rules, the discipline, and the sanction used against the "traitors", which form such an essential part of the present boycott, show that, however spontaneous, the movement is certainly strongly organised.

Material effects of boycott movement.

Psychological effect on Sino-Japanese relations.

Controversial issues in connection with the boycott :
(1) Whether the movement is spontaneous or organised.

All popular movements require some measure of organisation to be effective. The loyalty of all adherents to a common cause is never uniformly strong and discipline is required to enforce unity of purpose and action. Our conclusion is, that the Chinese boycotts are both popular and organised; that, though they originate in and are supported by strong national sentiment, they are controlled and directed by organisations which can start or call them off, and that they are enforced by methods which certainly amount to intimidation. While many separate bodies are involved in the organisation, the main controlling authority is the Kuomintang.

The second issue is whether or not, in the conduct of the boycott movement, the methods employed have always been legal. From the evidence collected by the Commission, it is difficult to draw any other conclusion than that illegal acts have been constantly committed, and that they have not been sufficiently suppressed by the authorities and the courts. The fact that these methods are mainly the same as those used in China in olden days may be an explanation, but not a justification. When in former days a guild elected to declare a boycott, searched the houses of suspected members, brought them before the Guild Court, punished them for a breach of rules, imposed fines and sold the goods seized, it acted in conformity with the customs of that time. Moreover, it was an internal affair of a Chinese community, and no foreigner was involved. The present situation is different. China has adopted a code of modern laws, and these are incompatible with the traditional methods of trade boycotts in China. The memorandum in which the Chinese Assessor has defended his country's point of view with regard to the boycott does not contest this statement, but argues that "the boycott... is pursued, generally speaking, in a legitimate manner". The evidence at the disposal of the Commission does not bear out this contention.

In this connection, a distinction should be made between the illegal acts committed directly against foreign residents *in casu* Japanese, and those committed against Chinese with the avowed intention, however, of causing damage to Japanese interests. As far as the former are concerned, they are clearly not only illegal under the laws of China but also incompatible with treaty obligations to protect life and property and to maintain liberty of trade, residence, movement and action. This is not contested by the Chinese, and the boycott associations, as well as the Kuomintang authorities, have tried, although they may not always have been successful, to prevent offences of this kind. As already stated, they have occurred less frequently during the present boycott than on previous occasions.¹

With regard to illegal acts committed against Chinese, the Chinese Assessor observed on page 17 of his memorandum on the boycott :

"We would like to observe, in the first place, that a foreign nation is not authorised to raise a question of internal law. In fact, we find ourselves confronted with acts denounced as unlawful but committed by Chinese nationals in prejudice to other Chinese nationals. Their suppression is a matter for the Chinese authorities, and it seems to us that no one has the right of calling into account the manner in which the Chinese penal law is applied in matters where both offenders and sufferers belong to our own nationality. No State has the right of intervention in the administration of exclusively domestic affairs of another State. This is what the principle of mutual respect for each other's sovereignty and independence means."

¹ According to recent Japanese information, there were thirty-five instances in which goods belonging to Japanese merchants were seized and kept in detention by members of the Anti-Japanese Associations in Shanghai during the period from July 1931 to the end of December 1931. The value of the goods involved was estimated approximately at \$287,000. Of these instances, in August 1932, five were reported as still remaining unsolved.

(2) Legality or otherwise of boycott methods.

So stated, the argument is incontestable, but it overlooks the fact that the ground of the Japanese complaint is not that one Chinese national has been illegally injured by another, but that the injury has been done to Japanese interests by the employment of methods which are illegal under Chinese law, and that failure to enforce the law in such circumstances implies the responsibility of the Chinese Government for the injury done to Japan.

(3) Responsibility of the Chinese Government for the boycott.

This leads to a consideration of the last controversial point involved in the policy of the boycott — namely, the extent of the responsibility of the Chinese Government. The Chinese official attitude is that “the liberty of choice in making purchases is a personal right which no Government can interfere with; while the Governments are responsible for the protection of lives and property, they are not required by any commonly recognised regulations and principles to prohibit and punish the exercise of an elemental right of every citizen”.

The Commission has been supplied with documentary evidence which is reproduced in the Study No. 8 annexed to this Report and which indicates that the part taken by the Chinese Government in the present boycott has been somewhat more direct than the quotation above would tend to indicate. We do not suggest that there is anything improper in the fact that Government departments should support the boycott movement; we only wish to point out that official encouragement involves a measure of Government responsibility. In this connection, the question of relations between the Government and the Kuomintang must be considered. Of the responsibility of the latter there can be no question. It is the controlling and co-ordinating organ behind the whole boycott movement. The Kuomintang may be the maker and the master of the Government, but to determine at what point the responsibility of the party ends and that of the Government begins is a complicated problem of constitutional law on which the Commission does not feel it proper to pronounce.

Comments.

The claim of the Government that the boycott is a legitimate weapon of defence against military aggression by a stronger country, especially in cases where methods of arbitration have not previously been utilised, raises a question of a much wider character. No one can deny the right of the individual Chinese to refuse to buy Japanese goods, use Japanese banks or ships, or to work for Japanese employers, to sell commodities to Japanese, or to maintain social relations with Japanese. Nor is it possible to deny that the Chinese, acting individually or even in organised bodies, are entitled to make propaganda on behalf of these ideas, always subject to the condition, of course, that the methods do not infringe the laws of the land. Whether, however, the organised application of the boycott to the trade of one particular country is consistent with friendly relations or in conformity with treaty obligations is rather a problem of international law than a subject for our enquiry. We would express the hope, however, that, in the interest of all States, this problem should be considered at an early date and regulated by international agreement.

In the course of the present chapter, it has been shown first that Japan, in connection with her population problem, is seeking to increase her industrial output and to secure for this purpose reliable overseas markets; secondly, that, apart from the export of raw silk to the United States of America, China constitutes the principal market for Japanese exports and at the same time supplies the Island Empire with an important amount of raw materials and foodstuffs. Further, China has attracted nearly the whole of Japan's foreign investments, and even in her present disturbed and undeveloped condition, offers a profitable field to Japanese economic and financial activities of various types. Finally, an analysis of the injury caused to Japanese interests in China by the various boycotts which have

succeeded one another from 1908 until to-day has drawn attention to the vulnerable character of those interests.

The dependence of Japan on the Chinese market is fully recognised by the Japanese themselves. On the other hand, China is a country which stands in the most urgent need of development in all fields of economic life, and Japan, which in 1931, notwithstanding the boycott, occupied the first place in her total foreign trade, seems, more than any other foreign Power, indicated as an ally in economic matters.

The interdependence of the trade of those two neighbouring countries and the interests of both call for an economic *rapprochement*, but there can be no such *rapprochement* so long as the political relations between them are so unsatisfactory as to call forth the use of military force by one and the economic force of the boycott by the other.

Chapter VIII.

ECONOMIC INTERESTS IN MANCHURIA.¹

It has been shown in the preceding chapter that the economic requirements of Japan and China, unless disturbed by political considerations, would lead to mutual understanding and co-operation and not to conflict. The study of the inter-relation between Japanese and Chinese economic interests in Manchuria, taken in themselves and apart from the political events of recent years, leads to the same conclusion. The economic interests of both countries in Manchuria are not irreconcilable; indeed, their reconciliation is necessary if the existing resources and future economic possibilities of Manchuria are to be developed to the fullest extent.

In Chapter III, the claim of Japanese public opinion that the resources, both actual and potential, of Manchuria are essential to the economic life of their country has been fully examined. The object of this chapter is to consider how far this claim is in conformity with economic facts.

It is a fact, in South Manchuria, that Japan is the largest foreign investor, whereas in North Manchuria the same is true of the U.S.S.R. Taking the Three Provinces as a whole, the Japanese investments are more important than those of the U.S.S.R., although precisely to what extent it is difficult to say because of the impossibility of obtaining reliable comparative figures. As the subject of investments is examined in detail in an annex to this Report, a few essential figures will be sufficient to illustrate the relative importance of Japan, the U.S.S.R. and other countries as participating factors in the economic development of Manchuria.

Investments.

According to a Japanese source of information, Japanese investments were estimated in 1928 at about 1,500,000,000 Yen, a figure which, if correct, must have grown to-day to approximately 1,700,000,000 Yen.² A Russian source puts Japanese investments at the present time at about 1,500,000,000 Yen for the whole of Manchuria inclusive of the Kwantung Leased Territory, and at about 1,300,000,000 Yen for the Three Provinces, the bulk of Japanese capital being invested in Liaoning Province.

¹ See, for this chapter, special studies Nos. 2, 3, 6, 7, annexed to this Report.

² Another Japanese authority puts the total of Japanese investments in China, including Manchuria, in 1929 at a figure of approximately 1,500,000,000 Yen.

With regard to the nature of these investments, it will be found that the majority of the capital has been devoted to transportation enterprises (mainly railways), agriculture, mining and forestry coming next. As a matter of fact, the Japanese investments in South Manchuria centre mainly round the South Manchuria Railway, while the investments of the U.S.S.R. in the North are to a great extent, directly or indirectly, linked up with the Chinese Eastern Railway.

Foreign investments other than Japanese are more difficult to estimate and, in spite of the helpful assistance of those immediately interested, the information obtained by the Commission has been meagre. Most of the figures given by the Japanese are prior to 1917 and consequently out of date. For the U.S.S.R., as has been stated, no definite estimate is possible. With regard to other countries, a recent Russian estimate for North Manchuria only, which it has not been possible to verify, indicates the United Kingdom as the next largest investor with 11,185,000 gold dollars, followed by Japan with 9,229,400 gold dollars, the United States of America with 8,220,000 gold dollars, Poland with 5,025,000 gold dollars, France with 1,760,000 gold dollars, Germany with 1,235,000 gold dollars, and miscellaneous investments 1,129,600 gold dollars, making a total of 37,784,400 gold dollars. For South Manchuria, similar figures are not available.

It is now necessary to analyse the part Manchuria plays in the economic life of Japan. A detailed study on this subject will be found in an Annex to this Report, from which it will be seen that, although this part is an important one, it is at the same time limited by circumstances which must not be overlooked.

It does not seem from past experience that Manchuria is a region suitable for Japanese emigration on a large scale. As already stated in Chapter II, the farmers and coolies from Shantung and Shihli (now Hopei) have in the last few decades taken possession of the soil. Japanese settlers are, and for many years will mostly be, business-men, officials, salaried employees, who have come to manage the investments of capital, the development of various enterprises, and the utilisation of natural resources.

As regards her supplies of agricultural produce, Japan to-day depends on Manchuria mainly for the soya bean and its derivatives, the use of which as foodstuff and forage may even increase in the future. (As a fertiliser, which is to-day one of its chief uses, its importance is likely to decrease with the growth of chemical industries in Japan.) But the question of food supply is not at the moment acute for Japan, the acquisition of Korea and Formosa having helped to solve at least for the time her rice problem. If at some future date the need for this commodity becomes urgent for the Japanese Empire, Manchuria may be able to provide an additional source of supply. But in that case a large amount of capital would have to be spent in the development of a sufficient irrigation system.

Larger still, it seems, will be the amount of capital necessary for the creation of Japanese heavy industries, if these are destined to become independent of foreign countries, as a result of the utilisation of the resources of Manchuria. Japan seeks, above all, to develop in the Three Eastern Provinces the production of those raw materials which are indispensable to her national defence. Manchuria can supply her with coal, oil and iron. The economic advantages, however, of such supplies are uncertain. For coal, only a comparatively small part of the production is utilised in Japan; oil is extracted from shale only in very limited quantities, while it would appear that iron is definitely produced at a loss. But economic considerations are not the only ones which influence the Japanese Government. The resources of Manchuria are intended to assist the development of an independent metallurgic system. In any case, Japan must seek abroad a great part of her coke and certain non-siliceous ores. The Three Eastern Provinces may ensure greater security in the supplies of certain products which are

Japan's
economic
relations with
Manchuria.

Agriculture.

Heavy
industries.

indispensable for her national defence, but heavy financial sacrifices may be involved in obtaining them. The strategic interests of Japan in Manchuria involved in this question have been mentioned elsewhere.

Further, Manchuria is not likely to supply Japan with those raw materials which she needs most for her textile industries.

The Three North-Eastern Provinces provide a regular market for Japanese manufactured goods; and the importance of this market may even increase with their growth in prosperity. But Osaka, in the past, has always depended more on Shanghai than on Dairen. The Manchurian market may perhaps offer more security, but it is more restricted than the Chinese market.

The idea of economic " blocs " has penetrated to Japan from the West. The possibility of such a bloc comprising the Japanese Empire and Manchuria is often found in the writings of Japanese statesmen, professors and journalists. In an article written shortly before he took office, the present Minister of Commerce and Industry pointed to the formation in the world of such economic blocs, American, Soviet, European and British, and stated that Japan should also create with Manchuria such a bloc.

There is nothing at present to show that such a system is practicable. Some voices have recently been raised in Japan to warn their compatriots against dangerous illusions. Japan depends for the bulk of her commerce far less on Manchuria than she does on the United States of America, China proper and British India.

Manchuria may become, in the future, of great assistance to an over-populated Japan, but it is as dangerous not to discern the limitations of its possibilities as it is to under-estimate their value.

When studying the economic relations of the rest of China with her Three Eastern Provinces, it will be apparent that, contrary to what we have seen in the case of Japan, her chief earlier contribution to their development consisted in the sending of seasonal workers and permanent settlers, to whom the great agricultural development of the country is due. More recently, however, particularly in the last decade, her participation in railway construction, in industry, trade and banking, and in the development of mineral and forestry resources, has also shown a marked progress the extent of which cannot be adequately shown due to lack of data. On the whole, it may be said that the principal ties between Manchuria and the rest of China are racial and social rather than economic. It has been recalled in Chapter II that the present population of Manchuria is, in the main, drawn from recent immigrations. The spontaneous character of these immigrations show clearly how they have fulfilled a real need. They have been a consequence of famine, although they were encouraged to some extent by both the Japanese and Chinese.

The Japanese have for a number of years recruited Chinese labour for the Fushun mines, for the Dairen harbour works and for the construction of railway lines. But the number of Chinese thus recruited has always been very limited and this recruitment ceased in 1927, when it appeared that the local supplies of labour were sufficient.

The Provincial authorities in Manchuria have also on several occasions assisted the settlement of Chinese immigrants, although in practice these activities of the authorities of the Three Eastern Provinces have only had a limited influence on immigration. The authorities in North China, and the charitable societies, have also in certain periods endeavoured to encourage the settlement of families in Manchuria.

The principal assistance received by the immigrants has been the reduced rates offered by the South Manchuria Railway, the Chinese lines, and the Chinese Eastern Railway. These encouragements given to newcomers showed that, at least until the end of 1931, the South Manchuria Railway, the Manchurian provincial authorities and the Chinese Government regarded

Manchuria as a
market for
Japanese
products.

China's
economic
relations with
Manchuria.

this exodus with favour ; all of them profited by the peopling of the Three Eastern Provinces, although their interests in the movement were not always identical.

Emigrants, once settled in Manchuria, maintain their relations with their province of origin in China proper. This is best shown by a study of the remittances that the emigrants sent back to their families in the villages of their birth. It is impossible to estimate the total of these remittances, which are effected through banks, through the post and through money taken back by returning emigrants. It is believed that twenty million dollars are so taken annually into Shantung and Hopei, while the Post Office statistics showed in 1928 that the Provinces of Liaoning and Kirin remitted to the Province of Shantung by money orders a sum equal to the amount remitted to that province by all the other provinces in China. There is no doubt that these remittances form an important economic link between Manchuria and China proper. They are the index of the contact maintained between the emigrants and their families in the provinces of their origin. This contact is all the easier because conditions on either side of the Great Wall do not greatly differ. The produce of the soil is in the main the same and the agricultural methods identical. The most pronounced variation between agricultural conditions in Manchuria and in Shantung are caused by differences of climate, varying density of population and different states of economic development. These factors do not prevent the agriculture of the Three Eastern Provinces from tending to resemble more and more the agricultural conditions in Shantung. In Liaoning, a long-settled territory, rural conditions resemble more closely those in Shantung than do those in Heilungkiang, a territory more recently opened up.

The organisation of direct trade with the agriculturists in Manchuria resembles also the conditions in China proper. In the Three Provinces, such commerce is in the hands of Chinese, who alone buy directly from the farmers. Similarly, in the Three Provinces, as in China proper, credit performs an important function in such local trade. One can even say that the resemblance in commercial organisation in Manchuria and China proper is found not only in local countryside trade, but also in trade in the towns.

In fact, the social and economic Chinese organisation in Manchuria is a transplanted society which has kept the customs, dialect and activities of its home. The only changes necessary are those required to meet the conditions of a land more vast, less inhabited and more open to outside influences.

The question arises whether this mass migration has been merely an episode or whether it will continue in the future. When account is taken of the areas in South Manchuria and certain valleys in the south and east, such as the Sungari, Liao and Mutan Valleys, it is clear that, from the purely agricultural point of view, Manchuria can still absorb numerous colonists. According to one of the best experts on the staff of the Chinese Eastern Railway, the population of Manchuria could reach in forty years a figure of 75,000,000.

But economic conditions may in the future limit the rapid growth of the population of Manchuria. Economic conditions in fact alone render the future of soya-bean farming uncertain. On the other hand, crops recently introduced into Manchuria, especially rice-farming, may develop there. The hopes which some Japanese have placed in the development of cotton-growing seem to be subject to certain limitations. Consequently, economic and technical factors may to some extent limit the entry of newcomers into the Three Provinces.

The recent political events are not the only cause of the decline of Chinese migration into Manchuria. The economic crisis had already, in the first six months of the year 1931, diminished the importance of the seasonal migration. The world depression added to the effect of an unavoidable

local crisis. Once this economic crisis is over and order has been re-established, Manchuria may once more serve as an outlet for the population of China proper. The Chinese are the people best adapted for the colonisation of Manchuria. An artificial restriction of this migration by arbitrary political measures would be prejudicial to the interests of Manchuria, as it would be to the interests of Shantung and Hopei.

The ties between Manchuria and the rest of China remain chiefly racial and social. At the same time, economic ties are continuously becoming stronger, which is shown by the growing commercial relations between Manchuria and the rest of China. Nevertheless, according to Customs returns, Japan remains the best customer and chief supplier of Manchuria, China proper occupying the second place.

The chief imports from Manchuria into the rest of China are the soya bean and its derivatives, coal and small amounts of groundnuts, raw silk, miscellaneous cereals and a very limited amount of iron, maize, wool, and timber. The chief exports to Manchuria from China proper are cotton piece-goods, tobacco preparations, silken and other textiles, tea, cereals and seeds, raw cotton, paper and wheat flour.

Consequently, China proper relies on Manchuria for certain foodstuffs, most important of which is the soya bean and its derivatives, but her imports of minerals, with the exception of coal and her imports of timber, animal products and raw materials for manufacturing purposes have in the past been slight. Furthermore, China proper is able to use only a portion of Manchuria's favourable balance to offset its own unfavourable balance. It is able to do this, not by virtue of its political affiliation as such, as is generally thought, but chiefly because the Manchurian Post Offices and Customs have been highly profitable institutions and because of the substantial remittances of Chinese settlers to their families in Shanghai and Hopei.

The resources of Manchuria are great and as yet not fully ascertained. For their development they require population, capital, technical skill, organisation and internal security. The population is almost entirely supplied by China. Large numbers of the existing population were born in provinces of North China, where their family ties are still very close. Capital, technical skill and organisation have hitherto chiefly been provided by Japan in South Manchuria and by Russia north of Changchun. Other foreign countries to a much smaller degree have interests throughout the Three Provinces, but principally in the large cities. Their representatives have exercised a conciliatory influence in the recent years of political tension, and will continue to do so, provided that Japan, as the dominating economic Power, does not attempt to monopolise the field. The all-important problem at the present time is the establishment of an administration acceptable to the population and capable of supplying the last need — namely, the maintenance of law and order.

No foreign Power could develop Manchuria or reap any benefit from an attempt to control it without the good-will and wholehearted co-operation of the Chinese masses which form the bulk of the population, tilling its soil, and supplying the labour for practically every enterprise in the country. Neither will China ever be free from anxiety and danger unless these Northern Provinces cease to afford a battleground for the conflicting ambitions of neighbouring Powers. It is as necessary, therefore, for China to satisfy the economic interests of Japan in this territory as for Japan to recognise the unalterably Chinese character of its population.

Parallel to an understanding of this kind and in order to allow all interested Powers to co-operate in the development of Manchuria, it seems essential that the principle of the Open Door should be maintained, not only from the legal point of view, but also in the actual practice of trade, industry and banking. Amongst foreign business-men in Manchuria other than Japanese, there is a fear that Japanese business concerns will try to

Comment.

Maintenance of the Open Door.

reap benefit from the present political position by other means than those of free competition. If this fear came to be justified, foreign interests would be discouraged and the population of Manchuria might be the first to suffer. The maintenance of a real Open Door, manifested by free competition in the field of trade, investment and finance, would be in the interests of both Japan and China.¹

Chapter IX.

PRINCIPLES AND CONDITIONS OF SETTLEMENT.

Review of
previous
chapters.

In the previous chapters of this Report, it has been shown that, though the issues between China and Japan were not in themselves incapable of solution by arbitral procedure, yet the handling of them by their respective Governments, especially those relating to Manchuria, had so embittered their relations as sooner or later to make a conflict inevitable. A sketch has been given of China as a nation in evolution with all the political upheavals, social disorders and disruptive tendencies inseparable from such a period of transition. It has been shown how seriously the rights and interests claimed by Japan have been affected by the weakness of the authority of the Central Government in China, and how anxious Japan has shown herself to keep Manchuria apart from the government of the rest of China. A brief survey of the respective policies of the Chinese, Russian and Japanese Governments in Manchuria has revealed the fact that the administration of these Provinces has more than once been declared by their rulers to be independent of the Central Government of China, yet no wish to be separated from the rest of China has ever been expressed by their population, which is overwhelmingly Chinese. Finally, we have examined carefully and thoroughly the actual events which took place on and subsequent to September 18th, 1931, and have expressed our opinion upon them.

Complexity of
the problem.

A point has now been reached when attention can be concentrated on the future, and we would dismiss the past with this final reflection. It must be apparent to every reader of the preceding chapters that the issues involved in this conflict are not as simple as they are often represented to be. They are, on the contrary, exceedingly complicated, and only an intimate knowledge of all the facts, as well as of their historical background, should entitle anyone to express a definite opinion upon them. This is not a case in which one country has declared war on another country without previously exhausting the opportunities for conciliation provided in the Covenant of the League of Nations. Neither is it a simple case of the violation of the frontier of one country by the armed forces of a neighbouring country, because in Manchuria there are many features without an exact parallel in other parts of the world.

¹ In this connection, it is necessary to mention the extraordinary extent to which goods are being smuggled into Manchuria, especially over the Korean border and through Dairen. Not only is this practice detrimental to the Customs revenue, but it disorganises trade, and rightly or wrongly gives rise to the belief that the Power which has virtual control over the Customs Administration might discriminate against the trade of other Powers.

The dispute has arisen between two States, both Members of the League, concerning a territory the size of France and Germany combined, in which both claim to have rights and interests, only some of which are clearly defined by international law; a territory which, although legally an integral part of China, had a sufficiently autonomous character to carry on direct negotiations with Japan on the matters which lay at the root of this conflict.

Japan controls a railway and a strip of territory running from the sea right up into the heart of Manchuria, and she maintains for the protection of that property a force of about 10,000 soldiers, which she claims the right by treaty to increase, if necessary, up to 15,000. She also exercises the rights of jurisdiction over all her subjects in Manchuria and maintains consular police throughout the country.

These facts must be considered by those who debate the issues. It is a fact that, without declaration of war, a large area of what was indisputably the Chinese territory has been forcibly seized and occupied by the armed forces of Japan and has, in consequence of this operation, been separated from and declared independent of the rest of China. The steps by which this was accomplished are claimed by Japan to have been consistent with the obligations of the Covenant of the League of Nations, the Kellogg Pact and the Nine-Power Treaty of Washington, all of which were designed to prevent action of this kind. Moreover, the operation which had only just begun when the matter was first brought to the notice of the League was completed during the following months and is held by the Japanese Government to be consistent with the assurances given by their representative at Geneva on September 30th and December 10th. The justification in this case has been that all the military operations have been legitimate acts of self-defence, the right of which is implicit in all the multilateral treaties mentioned above, and was not taken away by any of the resolutions of the Council of the League. Further, the administration which has been substituted for that of China in the Three Provinces is justified on the ground that its establishment was the act of the local population, who, by a spontaneous assertion of their independence, have severed all connection with China and established their own Government. Such a genuine independence movement, it is claimed, is not prohibited by any international treaty or by any of the resolutions of the Council of the League of Nations, and the fact of its having taken place has profoundly modified the application of the Nine-Power Treaty and entirely altered the whole character of the problem being investigated by the League.

It is this plea of justification which makes this particular conflict at once so complicated and so serious. It is not the function of our Commission to argue the issue, but we have tried to provide sufficient material to enable the League of Nations to settle the dispute consistently with the honour, dignity and national interest of both the contending parties. Criticism alone will not accomplish this: there must also be practical efforts at conciliation. We have been at pains to find out the truth regarding past events in Manchuria and to state it frankly; we recognise that this is only part, and by no means the most important part, of our work. We have throughout our mission offered to the Governments of both countries the help of the League of Nations in composing their differences, and we conclude it by offering to the League our suggestions for securing, consistently with justice and with peace, the permanent interest of China and Japan in Manchuria.

It must be clear from everything that we have already said that a mere restoration of the *status quo ante* would be no solution. Since the present conflict arose out of the conditions prevailing before last September, to restore these conditions would merely be to invite a repetition of the trouble. It would be to treat the whole question theoretically and to leave out of account the realities of the situation.

Conditions in
Manchuria
unparalleled
elsewhere.

Diversity of
interpretations.

Unsatisfactory
suggestions of
settlement:
(1) RESTORA-
TION OF THE
status quo ante.

(2) THE
MAINTENANCE
OF
"MANCHUKUO"

From what we have said in the two preceding chapters, the maintenance and recognition of the present regime in Manchuria would be equally unsatisfactory. Such a solution does not appeal to us compatible with the fundamental principle of existing international obligations, nor with the good understanding between the two countries upon which peace in the Far East depends. It is opposed to the interests of China. It disregards the wishes of the people of Manchuria, and it is at least questionable whether it would ultimately serve the permanent interests of Japan.

About the feelings of the people of Manchuria towards the present regime there can really be no doubt; and China would not voluntarily accept as a lasting solution the complete separation of her Three Eastern Provinces. The analogy of the distant province of Outer Mongolia is not an entirely pertinent one, as Outer Mongolia is bound to China by no strong economic or social ties, and is sparsely inhabited by a population which is mainly non-Chinese. The situation in Manchuria is radically different from that in Outer Mongolia. The millions of Chinese farmers now settled permanently on the land have made Manchuria in many respects a simple extension of China south of the Wall. The Three Eastern Provinces have become almost as Chinese in race, culture and national sentiment as the neighbouring Provinces of Hopei and Shantung, from which most of the immigrants came.

Apart from this, past experience has shown that those who control Manchuria have exercised a considerable influence on the affairs of the rest of China — at least of North China — and possess unquestionable strategic and political advantages. To cut off these provinces from the rest of China, either legally or actually, would be to create for the future a serious irredentist problem which would endanger peace by keeping alive the hostility of China and rendering probable the continued boycott of Japanese goods.

The Commission received from the Japanese Government a clear and valuable statement of the vital interests of their country in Manchuria. Without exaggerating the economic dependence of Japan on Manchuria beyond the limits ascribed to it in a previous chapter, and certainly without suggesting that economic relationship entitles Japan to control the economic, still less the political, development of those provinces, we recognise the great importance of Manchuria in the economic development of Japan. Nor do we consider unreasonable her demand for the establishment of a stable Government which would be capable of maintaining the order necessary for the economic development of the country. But such conditions can only be securely and effectively guaranteed by an administration which is in conformity with the wishes of the population and which takes full account of their feelings and aspirations. And equally is it only in an atmosphere of external confidence and internal peace, very different from that now existing in the Far East, that the capital which is necessary for the rapid economic development of Manchuria will be forthcoming.

In spite of the pressure of increasing over-population, the Japanese have not as yet fully utilised their existing facilities for emigration, and the Japanese Government has not hitherto contemplated a large emigration of their people to Manchuria. But the Japanese do look to further industrialisation as a means to cope with the agrarian crisis and with the population problem. Such industrialisation would require further economic outlets and the only large and relatively sure markets that Japan can find are in Asia and particularly in China. Japan requires, not only the Manchurian, but the whole Chinese market, and the rise in the standard of living which will certainly follow the consolidation and modernisation of China should stimulate trade and raise the purchasing power of the Chinese market.

This economic *rapprochement* between Japan and China, which is of vital interest to Japan, is of equal interest to China, for China would find that a closer economic and technical collaboration with Japan would

assist her in her primary task of national reconstruction. China could assist this *rapprochement* by restraining the more intolerant tendencies of her nationalism and by giving effective guarantees that, as soon as cordial relations were re-established, the practice of organised boycotts would not be revived. Japan, on her side, could facilitate this *rapprochement* by renouncing any attempt to solve the Manchurian problem by isolating it from the problem of her relations with China as a whole, in such a way as to make impossible the friendship and collaboration of China.

It may, however, be less economic considerations than anxiety for her own security which has determined the actions and policy of Japan in Manchuria. It is especially in this connection that her statesmen and military authorities are accustomed to speak of Manchuria as "the life-line of Japan". One can sympathise with such anxieties and try to appreciate the actions and motives of those who have to bear the heavy responsibility of securing the defence of their country against all eventualities. While acknowledging the interest of Japan in preventing Manchuria from serving as a base of operations directed against her own territory, and even her wish to be able to take all appropriate military measures if in certain circumstances the frontiers of Manchuria should be crossed by the forces of a foreign Power, it may still be questioned whether the military occupation of Manchuria for an indefinite period, involving, as it must, a heavy financial burden, is really the most effective way of insuring against this external danger; and whether, in the event of aggression having to be resisted in this way, the Japanese troops in Manchuria would not be seriously embarrassed if they were surrounded by a restive or rebellious population backed by a hostile China. It is surely in the interest of Japan to consider also other possible solutions of the problem of security, which would be more in keeping with the principles on which rests the present peace organisation of the world, and analogous to arrangements concluded by other great Powers in various parts of the world. She might even find it possible, with the sympathy and good-will of the rest of the world, and at no cost to herself, to obtain better security than she will obtain by the costly method she is at present adopting.

Apart from China and Japan, other Powers of the world have also important interests to defend in this Sino-Japanese conflict. We have already referred to existing multilateral treaties, and any real and lasting solution by agreement must be compatible with the stipulations of these fundamental agreements, on which is based the peace organisation of the world. The considerations which actuated the representatives of the Powers at the Washington Conference are still valid. It is quite as much in the interests of the Powers now as it was in 1922 to assist the reconstruction of China and to maintain her sovereignty and her territorial and administrative integrity as indispensable to the maintenance of peace. Any disintegration of China might lead, perhaps rapidly, to serious international rivalries, which would become all the more bitter if they should happen to coincide with rivalries between divergent social systems. Finally, the interests of peace are the same the world over. Any loss of confidence in the application of the principles of the Covenant and of the Pact of Paris in any part of the world diminishes the value and efficacy of those principles everywhere.

The Commission has not been able to obtain direct information as to the extent of the interests of the U.S.S.R. in Manchuria, nor to ascertain the views of the Government of the U.S.S.R. on the Manchurian question. But, even without sources of direct information, it cannot overlook the part played by Russia in Manchuria nor the important interests which the U.S.S.R. have in that region as owners of the Chinese Eastern Railway and of the territory beyond its north and north-east frontiers. It is clear that any solution of the problem of Manchuria which ignored the important

International
Interests.

Interests of
U.S.S.R.

interests of the U.S.S.R. would risk a future breach of the peace and would not be permanent.

Conclusions.

These considerations are sufficient to indicate the lines on which a solution might be reached if the Governments of China and Japan could recognise the identity of their chief interests and were willing to make them include the maintenance of peace and the establishment of cordial relations with each other. As already stated, there is no question of returning to the conditions before September 1931. A satisfactory regime for the future might be evolved out of the present one without any violent change. In the next chapter, we offer certain suggestions for doing this, but we would first define the general principles to which any satisfactory solution should conform. They are the following :

Conditions of a satisfactory solution.

1. *Compatibility with the interests of both China and Japan.*

Both countries are Members of the League and each is entitled to claim the same consideration from the League. A solution from which both did not derive benefit would not be a gain to the cause of peace.

2. *Consideration for the interests of the U.S.S.R.*

To make peace between two of the neighbouring countries without regard for the interests of the third would be neither just nor wise, nor in the interests of peace.

3. *Conformity with existing multilateral treaties.*

Any solution should conform to the provisions of the Covenant of the League of Nations, the Pact of Paris, and the Nine-Power Treaty of Washington.

4. *Recognition of Japan's interests in Manchuria.*

The rights and interests of Japan in Manchuria are facts which cannot be ignored, and any solution which failed to recognise them and to take into account also the historical associations of Japan with that country would not be satisfactory.

5. *The establishment of new treaty relations between China and Japan.*

A re-statement of the respective rights, interests and responsibilities of both countries in Manchuria in new treaties, which shall be part of the settlement by agreement, is desirable if future friction is to be avoided and mutual confidence and co-operation are to be restored.

6. *Effective provision for the settlement of future disputes.*

As a corollary to the above, it is necessary that provision should be made for facilitating the prompt settlement of minor disputes as they arise.

7. *Manchurian autonomy.*

The government in Manchuria should be modified in such a way as to secure, consistently with the sovereignty and administrative integrity of China, a large measure of autonomy designed to meet the local conditions and special characteristics of the Three Provinces. The new civil regime must be so constituted and conducted as to satisfy the essential requirements of good government.

8. *Internal order and security against external aggression.*

The internal order of the country should be secured by an effective local gendarmerie force, and security against external aggression should be provided by the withdrawal of all armed forces other than gendarmerie, and by the conclusion of a treaty of non-aggression between the countries interested.

9. *Encouragement of an economic rapprochement between China and Japan.*

For this purpose, a new commercial treaty between the two countries is desirable. Such a treaty should aim at placing on an equitable basis the commercial relations between the two countries and bringing them into conformity with their improved political relations.

10. *International co-operation in Chinese reconstruction.*

Since the present political instability in China is an obstacle to friendship with Japan and an anxiety to the rest of the world (as the maintenance of peace in the Far East is a matter of international concern), and since the conditions enumerated above cannot be fulfilled without a strong Central Government in China, the final requisite for a satisfactory solution is temporary international co-operation in the internal reconstruction of China, as suggested by the late Dr. Sun Yat-sen.

If the present situation could be modified in such a way as to satisfy these conditions and embody these ideas, China and Japan would have achieved a solution of their difficulties which might be made the starting-point of a new era of close understanding and political co-operation between them. If such a *rapprochement* is not secured, no solution, whatever its terms, can really be fruitful. Is it really impossible to contemplate a new relationship even in this hour of crisis? Young Japan is clamorous for strong measures in China and a policy of thoroughness in Manchuria. Those who make these demands are tired of the delays and pin-pricks of the pre-September period; they are impetuous and impatient to gain their end. But, even in Japan, appropriate means must be found for the attainment of every end. After making the acquaintance of some of the more ardent exponents of this "positive" policy, and those especially who, with undoubted idealism and great personal devotion, have constituted themselves the pioneers of a delicate undertaking in the "Manchukuo" regime, it is impossible not to realise that, at the heart of the problem for Japan, lies her anxiety concerning the political development of modern China, and the future to which it is tending. This anxiety has led to action with the object of controlling that development and steering its course in directions which will secure the economic interests of Japan and satisfy strategic requirements for the defence of her Empire.

Japanese opinion is nevertheless vaguely conscious that it is no longer practicable to have two separate policies, one for Manchuria and one for the rest of China. Even with her Manchurian interests as a goal, therefore, Japan might recognise and welcome sympathetically the renaissance of Chinese national sentiment, might make friends with it, guide it in her direction and offer it support, if only to ensure that it does not seek support elsewhere.

In China, too, as thoughtful men have come to recognise that the vital problem, the real national problem, for their country is the reconstruction and modernisation of the State, they cannot fail to realise that this policy of reconstruction and modernisation, already initiated with so much promise of success, necessitates for its fulfilment the cultivation of friendly relations with all countries, and above all with that great nation which is their nearest neighbour. China needs, in political and economic matters, the co-operation of all the leading Powers, but especially valuable to her would be the friendly attitude of the Japanese Government and the economic co-operation of Japan in Manchuria. All the other claims of her newly awakened nationalism — legitimate and urgent though they may be — should be subordinated to this one dominating need for the effective internal reconstruction of the State.

Results which would follow from the fulfilment of these conditions.

Chapter X.

CONSIDERATIONS AND SUGGESTIONS TO THE COUNCIL.

Suggestions to
facilitate a
final solution.

It is not the function of the Commission to submit directly to the Governments of China and Japan recommendations for the solution of the present dispute. But, in order "to facilitate the final solution of existing causes of dispute between the two countries", to quote the words used by M. Briand when explaining to the Council the text of the resolution which originated the Commission, we now offer to the League of Nations, as the result of our studies, suggestions designed to help the appropriate organ of the League to draw up definite proposals for submission to the parties to the dispute. It should be understood that these suggestions are intended as an illustration of one way in which the conditions we have laid down in the preceding chapter might be met. They are mainly concerned with broad principles; they leave many details to be filled in and are susceptible of considerable modification by the parties to the dispute if they are willing to accept some solution on these lines.

Even if the formal recognition of "Manchukuo" by Japan should take place before our Report is considered in Geneva — an eventuality which we cannot ignore — we do not think that our work will have been rendered valueless. We believe that, in any case, the Council would find that our Report contains suggestions which would be helpful for its decisions or for its recommendations to the two great Powers concerned, with the object of satisfying their vital interests in Manchuria.

It is with this object that, whilst bearing in mind the principles of the League of Nations, the spirit and letter of the Treaties concerning China and the general interests of peace, we have not overlooked existing realities, and have taken account of the administrative machinery existing and in process of evolution in the Three Eastern Provinces. It would be the function of the Council, in the paramount interest of world peace, whatever may be the eventuality, to decide how the suggestions made in our Report may be extended and applied to events which are still developing from day to day, always with the object of securing a durable understanding between China and Japan by utilising all the sound forces, whether in ideals or persons, whether in thought or action, which are at present fermenting in Manchuria.

We suggest, in the first place, that the Council of the League should invite the Governments of China and Japan to discuss a solution of their dispute on the lines indicated in the last chapter.

If the invitation is accepted, the next step would be the summoning as soon as possible of an Advisory Conference, to discuss and to recommend detailed proposals for the constitution of a special regime for the administration of the Three Eastern Provinces.

Such conference, it is suggested, might be composed of representatives of the Chinese and Japanese Governments and of two delegations representing the local population, one selected in a manner to be prescribed by the Chinese Government and one selected in a manner to be prescribed by the Japanese Government. If agreed by the parties, the assistance of neutral observers might be secured.

If the conference were unable to reach agreement on any particular point, it would submit to the Council the point of difference, and the Council would then attempt to secure an agreed settlement on these points.

Simultaneously with the sitting of the Advisory Conference, the matters at issue between Japan and China relating to respective rights and interests

Invitation to
the parties
to discuss
settlement.

An Advisory
Conference.

should be discussed separately, in this case also, if so agreed, with the help of neutral observers.

Finally, we suggest that the results of these discussions and negotiations should be embodied in four separate instruments:

1. A Declaration by the Government of China constituting a special administration for the Three Eastern Provinces, in the terms recommended by the Advisory Conference;
2. A Sino-Japanese Treaty dealing with Japanese interests;
3. A Sino-Japanese Treaty of Conciliation and Arbitration, Non-Aggression and Mutual Assistance.
4. A Sino-Japanese Commercial Treaty.

It is suggested that, before the meeting of the Advisory Conference, the broad outlines of the form of administration to be considered by that body should be agreed upon between the parties, with the assistance of the Council. Among the matters to be considered at that stage are the following:

The place of meeting of the Advisory Conference, the nature of the representation, and whether or not neutral observers are desired;

The principle of the maintenance of the territorial and administrative integrity of China and the grant of a large measure of autonomy to Manchuria;

The policy of creating a special gendarmerie as the sole method of maintaining internal order;

The principle of settling the various matters in dispute by means of the separate treaties suggested;

The grant of an amnesty to all those who have taken part in the recent political developments in Manchuria.

When once these broad principles have been agreed upon beforehand the fullest possible discretion as regards the details would be left to the representatives of the parties at the Advisory Conference or when negotiating the treaties. Further reference to the Council of the League of Nations would only take place in the event of failure to agree.

Among the advantages of this procedure, it is claimed that, while it is consistent with the sovereignty of China, it will enable effective and practical measures to be taken to meet the situation in Manchuria as it exists to-day and, at the same time, allow for such modifications hereafter as the changes in the internal situation in China may warrant. Notice, for instance, has been taken in this Report of certain administrative and fiscal changes which have either been proposed or actually carried out in Manchuria recently, such as the re-organisation of provincial governments, the creation of a central bank, the employment of foreign advisers. These features might be retained with advantage by the Advisory Conference. The presence at the conference of representatives of the inhabitants of Manchuria, selected in some such way as we have suggested, should also facilitate the passage from the present to the new regime.

The autonomous regime contemplated for Manchuria is intended to apply to the three provinces of Liaoning (Fengtien), Kirin and Heilungkiang only. The rights at present enjoyed by Japan in the province of Jehol (Eastern Inner Mongolia) would be dealt with in the treaty on the subject of Japanese interests.

The four Instruments can now be considered *serialim*:

1. THE DECLARATION.

The final proposals of the Advisory Conference would be submitted to the Chinese Government, and the Chinese Government would embody them in a Declaration, which would be transmitted to the League of Nations and

Advantages
claimed for
the procedure.

to the signatory Powers of the Nine-Power Treaty. The Members of the League and the signatory Powers of the Nine-Power Treaty would take note of this Declaration, which would be stated to have for the Chinese Government the binding character of an international engagement.

The conditions under which subsequent revision of the Declaration, if required, might take place would be laid down in the Declaration itself, as agreed to in accordance with the procedure suggested hereabove.

The Declaration would distinguish between the powers of the Central Government of China in the Three Eastern Provinces and those of the autonomous local Government.

It is suggested that the powers to be reserved to the Central Government should be the following :

Powers to be reserved to the Central Government.

1. The control of general treaty and foreign relations not otherwise provided for ; it being understood that the Central Government would not enter into any international engagements inconsistent with the terms of the Declaration.

2. The control of the Customs, the Post Office, and the Salt Gabelle, and possibly of the administration of the stamp duty and the tobacco and wine taxes. The equitable division, between the Central Government and the Three Eastern Provinces, of the net income from these revenues would be determined by the Advisory Conference.

3. The power of appointment, at least in the first instance, of the Chief Executive of the Government of the Three Eastern Provinces in accordance with the procedure to be laid down in the Declaration. Vacancies would be filled in the same way, or by some system of selection in the Three Eastern Provinces, to be agreed upon by the Advisory Conference and inserted in the Declaration.

4. The power of issuing to the Chief Executive the carrying out of the international engagements entered into by the Central Government of China in matters under the administration of the autonomous Government of the Three Eastern Provinces.

5. Any additional powers agreed upon by the Conference.
All other powers would be vested in the autonomous Government of the Three Eastern Provinces.

Powers of the local government.

Expression of local opinion.

Some practical system might be devised to secure an expression of the opinion of the people on the policy of the Government, possibly through the traditional agency of the Chambers of Commerce, Guilds and other civil organisations.

Minorities.

Some provision should also be made to safeguard the interests of White Russians and other minorities.

Gendarmerie.

It is suggested that a special gendarmerie should be organised, with the collaboration of foreign instructors, which would be the only armed force within the Three Eastern Provinces. The organisation of the gendarmerie should either be completed within a period to be specified in advance, or the time of its completion should be determined in accordance with a procedure to be laid down in the Declaration. As this special corps would be the only armed force in the territory of the Three Eastern Provinces, its organisation, when completed, should be followed by the retirement from this territory of all other armed forces, including any special bodies of police or railway guards, whether Chinese or Japanese.

Foreign advisers.

An adequate number of foreign advisers would be appointed by the Chief Executive of the autonomous Government, of whom a substantial proportion should be Japanese. The details would be worked out by the procedure described above and would be stated in the Declaration. Nationals of small States, as well as of the Great Powers, would be eligible.

The appointment of two foreigners of different nationalities to have supervision of (1) the constabulary and (2) the fiscal administration would

be made by the Chief Executive from a panel submitted by the Council of the League. These two officials would have extensive powers during the period of organisation and trial of the new regime. The powers of the advisers would be defined in the Declaration.

The appointment of one foreigner as a general adviser to the Central Bank of the Three Eastern Provinces would be made by the Chief Executive from a panel submitted by the Board of Directors of the Bank for International Settlements.

The employment of foreign advisers and officials is in conformity with the policy of the founder of the Chinese Nationalist Party and with that of the present National Government. It will not, we hope, be difficult for Chinese opinion to recognise that the actual situation and the complexity of the foreign interests, rights and influences in those provinces require special measures in the interests of peace and good government. But it cannot be too strongly emphasised that the presence of the foreign advisers and officials here suggested, including those who, during the period of the organisation of the new regime, must exercise exceptionally wide powers, merely represents a form of international co-operation. They must be selected in a manner acceptable to the Chinese Government and one which is consistent with the sovereignty of China. When appointed, they must regard themselves as the servants of the Government employing them, as has always been the case in the past with the foreigners employed in the Customs and Postal administration or with the technical organisations of the League that have collaborated with China. In this connection, the following passage in the speech of Count Uchida in the Japanese Diet on August 25th, 1932, is of interest :

“ Our own Government, since the Meiji Restoration, has employed many foreigners as advisers or as regular officials ; their number, for instance, in the year 1875 or thereabout exceeded 500. ”

The point must also be stressed that the appointment of a relatively large number of Japanese advisers, in an atmosphere of Sino-Japanese co-operation, would enable such officials to contribute the training and knowledge specially suited to local conditions. The goal to be kept in view throughout the period of transition is the creation of a civil service composed of Chinese, who will ultimately make the employment of foreigners unnecessary.

2. THE SINO-JAPANESE TREATY DEALING WITH JAPANESE INTERESTS.

Full discretion would of course be left to those who will negotiate the three suggested treaties between China and Japan, but it may be useful to indicate the matters with which it is suggested they should deal.

The treaty dealing with Japanese interests in the Three Eastern Provinces and with some Japanese interests in the Province of Jehol would have to deal principally with certain economic rights of Japanese nationals and with railway questions. The aims of this treaty should be :

Aims of the Treaty.

(1) The free participation of Japan in the economic development of Manchuria, which would not carry with it a right to control the country either economically or politically ;

(2) The continuance in the Province of Jehol of such rights as Japan now enjoys there ;

(3) An extension to the whole of Manchuria of the right to settle and lease land, coupled with some modification of the principle of extra-territoriality ;

(4) An agreement regarding the operation of the railways.

Japanese
rights of
settlement.

Hitherto, the rights of settlement of Japanese nationals have been confined to South Manchuria, though no definite boundary line between North and South Manchuria has ever been fixed, and to Jehol. These rights have been exercised under conditions which China found unacceptable and this caused continued friction and conflicts. Extra-territorial status as regards taxation and justice was claimed both for the Japanese and the Koreans, and in the case of the latter there were special stipulations which were ill-defined and the subject of disputes. From evidence given before the Commission, we have reason to believe that China would be willing to extend to the whole of Manchuria the present limited right of settlement, provided it was not accompanied by extra-territorial status, the effect of which, it was claimed, would be to create a Japanese State in the heart of a Chinese territory.

It is obvious that the right of settlement and extra-territoriality are closely associated. It is, however, equally clear that the Japanese would not consent to abandon their extra-territorial status until the administration of justice and finance had reached a very much higher standard than has hitherto prevailed in Manchuria.

Two methods of compromise have suggested themselves. One is that the existing rights of settlement, accompanied by extra-territorial status, should be maintained, and that such rights should be extended both to Japanese and Koreans in North Manchuria and Jehol without extra-territorial status. The other is that the Japanese should be granted the right to settle anywhere in Manchuria and Jehol with extra-territorial status, and that the Koreans should have the same rights without extra-territorial status. Both proposals have some advantages to recommend them and both have rather serious objections. It is obvious that the most satisfactory solution of the problem is to make the administration of these Provinces so efficient that extra-territorial status will no longer be desired. It is with this object that we recommend that at least two foreign advisers, one of whom should be of Japanese nationality, should be attached to the Supreme Court, and other advisers might with advantage be attached to other Courts. The opinions of these advisers might be made public in all cases in which the Courts were called upon to adjudicate on matters in which foreign nationals were involved. We also think that, in the period of re-organisation, some foreign supervision of the administration of finance is desirable and, in dealing with the Declaration, we have presented some suggestions to that effect.

A further safeguard would be provided by the establishment, under the treaty of conciliation, of an arbitration tribunal to deal with any complaints which the Chinese or Japanese Governments might bring in their own names or in those of their nationals.

The decision of this complicated and difficult question must rest with the parties negotiating the treaty, but the present system of foreign protection, when applied to a minority group as numerous as the Koreans, who are, moreover, increasing in number and who live in such close touch with the Chinese population, is bound to produce many occasions of irritation, leading to local incidents and foreign intervention. In the interests of peace, it is desirable that this fruitful source of friction should be removed.

Any extension of the rights of settlement in the case of Japanese would apply on the same conditions to the nationals of all other Powers which enjoy the benefits of a "most-favoured-nation" clause, provided that those Powers whose nationals enjoy extra-territorial rights enter into a similar treaty with China.

Railways.

As regards railways, it has been pointed out in Chapter III that there has been little or no co-operation in the past between the Chinese and Japanese railway builders and authorities directed to achieving a

comprehensive and mutually beneficial railway plan. It is obvious that, if future friction is to be avoided, provisions must be made in the treaty at present under discussion for bringing to an end the competitive system of the past, and substituting a common understanding as regards freights and tariffs on the various systems. The subject is discussed in the special study No. 1 annexed to this Report. In the opinion of the Commission, there are two possible solutions, which could be considered either as alternatives or as stages to one final solution. The first, which is the more limited in scope, is a working agreement between the Chinese and Japanese railway administrations, which would facilitate their co-operation. China and Japan might agree to manage their respective railway systems in Manchuria on the principle of co-operation, and a joint Sino-Japanese Railway Commission, with at least one foreign adviser, might exercise functions analogous to those of boards which exist in some other countries. A more thorough remedy would be provided by an amalgamation of the Chinese and Japanese railway interests. Such an amalgamation, if it could be agreed upon, would be the true mark of that Sino-Japanese economic collaboration to secure which is one of the objects of this Report. While safeguarding the interests of China, it would place at the disposal of all the railways in Manchuria the benefit of the great technical experience of the South Manchuria Railway and could be evolved without difficulty from the system which has been applied to the railways of Manchuria in the last few months. It might even pave the way in the future to some wider international agreement which might include the Chinese Eastern Railway. Though a fairly detailed description of such an amalgamation is to be found in the annex as an example of the sort of thing that might be done, only direct negotiations between the parties could evolve a detailed scheme. Such a solution of the railway question would make the South Manchuria Railway a purely commercial enterprise, and the security provided by the special corps of gendarmerie, when once this body was fully organised, would enable the Railway Guards to be withdrawn, thus saving a considerable item of expense. If this is done, it would be well that special land regulations and a special municipal administration should previously be instituted in the railway area in order to safeguard the vested interests of the South Manchuria Railway and of Japanese nationals.

If a treaty on these lines could be agreed upon, a legal basis for Japanese rights in the Three Eastern Provinces and in Jehol would have been found which would be at least as beneficial to Japan as the present treaties and agreements, and one which would be more acceptable to China. China might then find no difficulty in recognising all the definite grants made to Japan by such treaties and agreements as those of 1915, unless abrogated or modified by the new treaty. All minor rights claimed by Japan, the validity of which may be open to dispute, should be the subject of agreement. In case of disagreement, resort should be made to the procedure outlined in the treaty of conciliation.

3. THE SINO-JAPANESE TREATY OF CONCILIATION AND ARBITRATION, NON-AGGRESSION AND MUTUAL ASSISTANCE.

It is not necessary to describe in any detail the subject-matter of this treaty, of which there are many precedents and existing examples.

Such a treaty would provide for a board of conciliation, whose functions would be to assist in the solution of any difficulties as they arise between the Governments of China and Japan. It would also establish an arbitration tribunal composed of persons with judicial experience and the necessary knowledge of the Far East. This tribunal would deal with any disputes

between the Chinese and Japanese Governments regarding the interpretation of the declaration or of the new treaties, and with such other categories of disputes as might be specified in the treaty of conciliation.

Finally, in conformity with the provisions for non-aggression and mutual assistance inserted in the treaty, the contracting parties should agree that Manchuria should gradually become a demilitarised area. With this object, it would be provided that, after the organisation of the gendarmerie had been effected, any violation of the demilitarised territory by either of the parties or by a third party would constitute an act of aggression entitling the other party, or both parties in the case of a third-party attack, to take whatever measures might be deemed advisable to defend the demilitarised territory, without prejudice to the right of the Council of the League to take action under the Covenant.

If the Government of the U.S.S.R. desired to participate in the non-aggression and mutual assistance section of such a treaty, the appropriate clauses could be embodied in a separate tripartite agreement.

4. THE SINO-JAPANESE COMMERCIAL TREATY.

The commercial treaty would naturally have as its object the establishment of conditions which would encourage as much as possible the exchange of goods between China and Japan, while safeguarding the existing treaty rights of other countries. This treaty should also contain an undertaking by the Chinese Government to take all measures within its power to forbid and repress organised boycott movements against Japanese trade, without prejudice to the individual rights of Chinese consumers.

* * *

The above suggestions and considerations regarding the objects of the proposed Declaration and treaties are submitted for the consideration of the Council of the League. Whatever may be the details of future agreements, the essential point is that negotiations should be begun as soon as possible and should be conducted in a spirit of mutual confidence.

Our work is finished.

Manchuria for a year past has been given over to strife and turmoil.

The population of a large, fertile and rich country has been subjected to conditions of distress such as it has probably never experienced before.

The relations between China and Japan are those of war in disguise, and the future is full of anxiety.

We have reported the circumstances which have created these conditions.

Everyone is fully aware of the gravity of the problem which confronts the League of Nations and of the difficulties of the solution.

At the moment of concluding our Report, we read in the Press two statements by the Foreign Ministers of China and Japan, from each of which we would extract one point of the utmost importance.

On August 28th, Mr. Lo Wen Kan declared at Nanking :

“ China is confident that any reasonable proposal for the settlement of the present situation will necessarily be compatible with the letter and spirit of the Covenant of the League of Nations and the anti-war Pact, and the Nine-Power Treaty, as well as with China's sovereign power, and will also effectively secure a durable peace in the Far East. ”

On August 30th, Count Uchida is reported to have declared at Tokyo :

“ The Government considers the question of Sino-Japanese relations as more important than the question of Manchuria and Mongolia. ”

We cannot close our Report more appropriately than by reproducing here the thought underlying these two statements : as exactly does it correspond with the evidence we have collected, with our own study of the problem, and consequently with our own convictions, so confident are we that the policy indicated by these declarations, if promptly and effectively applied, could not fail to lead to a satisfactory solution of the Manchurian question in the best interests of the two great countries of the Far East and of humanity in general.

Signed at Peiping, September 4th, 1932.

LYTTON.
ALDROVANDI.
H. CLAUDEL.
Frank McCOY.
SCHNEE.

APPENDIX.

ITINERARY IN THE FAR EAST OF THE LEAGUE OF NATIONS COMMISSION OF ENQUIRY.

(Council Resolution of December 10th, 1931.)

(See also Maps Nos. 13 and 14.)

Date	Arrived or departed	Place	Means of travel	Remarks	Map symbol	Personnel
February 29th	Arr. Left Arr.	Yokohama Yokohama Tokyo	Water Rail	S.S. <i>President Coolidge</i>	1	Commissioners, Pelt, von Kotze, Pastuhov, Astor, Jouvelet, Biddle. Joined by Haas (arrived February 25th, from Shanghai).
February 29th to March 8th		Tokyo			1	Joined by Aoki (February 29th). Dropped Haas (March 8th, followed party to Osaka, March 9th).
March 8th 9th 10th	Left Arr. Left Arr. Left Arr.	Tokyo Kyoto " Nara " Osaka	Rail		1	Rejoined by Haas (from Tokyo).
11th	Left	Osaka	Motor and cable car	Via Mt. Rokko		
	Arr. Left	Kobe "	Water	S.S. <i>President Adams</i>		
14th	Arr.	Shanghai				
14th to 26th		Shanghai			1	Joined by Charrère, Wou (March 14th) and Young (March 18th, from Peiping). Dropped Aoki (March 25th, returned to Tokyo) and Haas (March 26th; followed party to Nanking, March 28th).

Date	Arrived or departed	Place	Means of travel	Remarks	Map symbol	Personnel
March 26th	Left	Shanghai	Rail		1	Claudel, McCoy, Schnee, Young, Blakeslee, von Kotze, Jouvelet, Biddle.
27th	Arr. Left Arr. Left Arr.	Hangchow " Hsing " Nanking	Motor			
26th	Left	Shanghai	Water	S.S. <i>Toongwo</i>	1	
27th	Arr.	Nanking				
March 27th to April 1st		Nanking			1	Rejoined by Haas (March 29th, from Shanghai). Dropped Young and Astor (April 1st; see A, below).
April 1st	Left Arr.	Nanking Hankow	Air		A	Young, Astor.
2nd	Left	" Chungking				Rejoined main party.
3rd	Left	" Ichang				
4th	Left Arr.	" Hankow				
1st	Left	Nanking	Water	S.S. <i>Loongwo</i>	1	
3rd	Arr. Left Arr.	Kiukiang " Hankow				Rejoined by Young and Astor (See A, above).
4th	Left	Hankow				
5th	Left	Kiukiang				
6th	Left	" Pukow				
7th	Left	"	Rail			
8th	Arr. Left Arr.	Tslnan " Tientsin " Peiping				
9th to 19th		Peiping			1	Joined by Angelino (April 14th, from Java).
19th 20th	Left Arr.	Peiping Chinwangtao				
20th	Left	Chinwangtao	Water	Chinese and Japanese warships	2	Lytton, Claudel, Schnee, Pelt, Pastuhov, Astor, Jouvelet, Wou.
21st	Arr. Left Arr.	Dairen " Mukden	Rail			

Date	Arrived or departed	Place	Means of travel	Remarks	Map symbol	Personnel
April 20th	Left	Chinwangtao	Rail		2	Aldrovandi, McCoy, Haas, Angelino, Young, Blakeslee, von Kotze, Charrère, Biddle.
21st	Arr. Left	Shanbalkwan				
	Arr. Left	Chinwangtao				
	Arr. Left	Shanbalkwan				
	Arr. Left	Mukden				
April 21st to May 2nd		Mukden			2	Joined by Hiam (April 21st ; arrived April 16th, from Canada), Moss (May 1st, from Weihaiwei) and de Peyre (May 1st, from Kobe).
May 2nd	Left	Mukden	Rail		2	Commissioners, Haas, Angelino, Hiam, Young, Blakeslee, Pelt, von Kotze, Pastuhov, Astor, Jouvelet, Moss, de Peyre, Charrère, Wou, Biddle
	Arr. Left	Kungehuling				
	Arr. Left	Changehun				
2nd to 7th		Changehun				
7th	Left	Changehun				
	Arr. Left	Kirin				
	Arr. Left	Changehun				
7th to 9th		Changehun				
9th	Left	Changehun				
	Arr. Left	Harbin				
9th to 21st		Harbin			2	Joined by Dennery (May 9th ; arrived May 6th, from Paris), Dorfman (May 10th ; arrived May 9th, from Tokyo). Dropped : von Kotze, Hiam, Astor, Moss, Biddle (May 21st ; see B, below) ; Young (May 21st ; followed to Mukden, May 23rd) ; Pelt, Dennery, Dorfman (May 21st ; followed to Changchun and Mukden (May 23rd).

Date	Arrived or departed	Place	Means of travel	Remarks	Map symbol	Personnel
May 21st,	Left	Harbin	Rail		2	Commissioners, Haas, Angelino, Blakeslee, Pastuhov, Jouvelet, Charrère, Wou, de Peyre.
	Arr. Left	Changehun				
	Arr. Left	Mukden				
22nd	Left	Harbin	Air		B	Von Kotze, Hiam, Astor, Moss, Biddle.
	Arr. Left	Tsitsihar				
22nd to 24th		Tsitsihar				
24th	Left	Tsitsihar	Rail			
	Arr. Left	Taonan				
25th	Arr. Left	Mukden				
21st to 25th		Mukden			2	Departed : de Peyre (May 21st, for Kobe). Rejoined by : Young (May 24th, from Harbin) ; Pelt, Dennery, Dorfman (May 25th, from Harbin and Changchun) ; von Kotze, Hiam, Astor, Moss, Biddle (May 25th ; see B, above).
25th	Left	Mukden	Rail		2	Commissioners, Haas, Angelino, Hiam, Young, Blakeslee, Pelt, Dennery, Dorfman, von Kotze, Pastuhov, Astor, Jouvelet, Moss, Charrère, Wou, Biddle.
26th	Arr. Left	Dairen	Motor			
27th	Arr. Left	Port Arthur				
	Arr. Left	Dairen				
26th to 30th		Dairen				Dropped : Angelino, Young, Pastuhov (May 30th ; preceded party to Peiping, via Tangku).
30th	Left	Dairen	Rail		2	Commissioners, Haas, Hiam, Blakeslee, Pelt, Dennery, Dorfman, von Kotze, Astor, Jouvelet, Moss, Charrère, Wou, Biddle
30th	Arr. Left	Anshan				Dropped Dennery (followed to Mukden, May 31st).
	Arr. Left	Mukden				

Date	Arrived or departed	Place	Means of travel	Remarks	Map symbol	Personnel
May 30th to June 4th		Mukden			2	Rejoined by Dennery (May 31st, from Anshan). Dropped : Dennery (June 1st, preceded party to Fushun); Haas, Hiam (June 1st; preceded party to Peiping, via Shanhaikwan); Pelt, Dorfman (June 2nd; see C, below).
June 1st	Left	Mukden	Rail		2	Commissioners, von Kotze, Blakeslee, Pelt, Dennery, Dorfman, Astor, Jouvelet, Moss, Charrère, Wou, Biddle.
	Arr.	Fushun				Rejoined by Dennery (preceded party from Mukden).
	Left	"				Dropped Dennery (preceded to Dairen).
	Arr.	Mukden				
2nd 3rd	Left Arr.	Mukden Dairen	Rail		C	Pelt, Dorfman. Rejoined by Dennery (arrived June 2nd, from Fushun).
3rd to 6th		Dairen				
6th	Left	Dairen	Water	S.S. <i>Saitsu Maru</i>		
7th	Arr. Left Arr.	Tangku " Peiping	Rail			
4th	Left	Mukden	Rail		2	Commissioners, von Kotze, Blakeslee, Astor, Jouvelet, Moss, Charrère, Wou, Biddle.
	Arr. Left Arr.	Chinchow " Shanhaikwan				
	Left Arr.	" Peltaiho Beach				
5th	Left Arr.	" Peiping				
5th to 28th		Peiping			3	Departed : Moss (June 26th, for Weihaiwei). Dropped : Dennery (June 25th, preceded party to Tientsin); Dorfman (June 27th; see D, below).

Date	Arrived or departed	Place	Means of travel	Remarks	Map symbol	Personnel
June 8th	Left	Peiping	Rail		3	Lytton, Aldrovandi, Schnee, Charrère, Biddle.
9th	Arr.	Tsingtao				
10th	Left	"				
11th	Arr.	Taian				
12th	Left	"				
	Arr.	Peiping				
27th 29th	Left Arr. Left	Peiping Nanking " Shanghai	Rail		D	Dorfman.
30th	Arr.					
June 30th to July 15th		Shanghai				
July 15th 17th	Left Arr.	Shanghai Peiping				
June 28th	Left	Peiping	Rail		4	Commissioners, Haas, Young, Blakeslee, Pelt, Astor, Jouvelet, Charrère, Biddle. Rejoined by Dennery (arrived June 25th, from Peiping).
	Arr.	Tientsin				
29th	Left Arr.	" Shanhaikwan				
	Left Arr.	" Mukden				
30th	Left	"				
	Arr. Left	Antung				
	Left	"				
July 1st 2nd	Arr. Left	Keijo				
	Left	"				
	Arr.	Fusan				
	Left	"				
3rd	Arr.	Shimonoseki	Water	S.S. <i>Shokei Maru</i>		
4th	Left Arr.	Tokyo	Rail			
June 28th to July 20th		Peiping			E	Angelino, Hiam, Dorfman, von Kotze, Pastuhov, Wou. Dropped Hiam (June 29th; see F, below), von Kotze (July 2nd, see H, below), Pastuhov (July 4th, followed main party to Tokyo). Rejoined by Pelt (July 10th; see G, below). Dropped Pelt (July 19th, preceded to Tsinan by air).

Date	Arrived or departed	Place	Means of travel	Remarks	Map symbol	Personnel
June 29th	Left	Peiping	Rail	S.S. <i>Empress of Japan</i>	F	Hiam.
July 1st	Arr.	Shanghai	Water			
4th	Left	"				
6th	Arr.	Kobe	Rail			Rejoined main party.
	Left	"				
	Arr.	Tokyo				
June 30th	Left	Mukden	Rail		G	Pelt.
July 1st	Arr.	Changehun				
	Left	"				
2nd	Arr.	Harbin				
2nd to 7th		Harbin				
7th	Left	Harbin				
8th	Arr.	Mukden				
9th	Left	"				
10th	Arr.	Peiping				
2nd	Left	Peiping	Air		H	von Kotze.
	Arr.	Shanghai				
2nd to 6th		Shanghai				
6th	Left	Shanghai				
	Arr.	Peiping				
4th to 16th		Tokyo			4	Rejoined by Aoki (July 4th; arrived March 30th, from Shanghai), Hiam (July 6th; see F, above), Pastuhov (July 8th, from Peiping). Departed: Hiam (July 8th, for Canada). Dropped Lytton (July 15th; preceded party to Kobe, by water from Yokohama), Haas (July 15th, preceded party to Kyoto), Young (July 15th; see I, below).
9th	Left	Tokyo	Rail and motor			Aldrovandi, Claudel, McCoy, Schnee, Young, Blakeslee, Pastuhov, Jouvelet, Biddle.
	Arr.	Miyano-shita				
9th to 11th		Miyano-shita				
11th	Left	Miyano-shita				
	Arr.	Tokyo				

Date	Arrived or departed	Place	Means of travel	Remarks	Map symbol	Personnel
July 14th	Left Arr.	Tokyo Nikko	Rail and motor			Aldrovandi, McCoy, Schnee, Biddle.
15th	Left Arr.	Nikko Tokyo				
15th 16th	Left Arr.	Tokyo Shimono- seki	Rail		I	Young.
17th	Left Arr. Left Arr.	" Fusan " Keijo	Water Rail	S.S.		
17th to 20th		Keijo				
20th 21st	Left Arr. Left Arr.	Keijo Kwainai " Lungehing- tsun	Rail			
21st to 23rd		Lungehing- tsun				
23rd	Left Arr. Left Arr. Left Arr.	Lungehing- tsun Kirin " Changehun " Dairen "	Air Rail Water			
24th 25th	Left Arr.	" Tangku " Peiping	Water Rail	S.S. Chohei Maru		Rejoined party.
16th	Left	Tokyo	Rail		4	Aldrovandi, Claudel, Mc- Coy, Schnee, Dennery, Pastuhov, Astor, Jou- velet, Charrère, Aoki, Biddle.
17th	Arr. Left Arr.	Kyoto " Kobe				Rejoined by Haas (arri- ved July 16th, from Tokyo).
19th 20th	Left Arr. Left Arr.	" Tsingtao " Tsinan	Water Rail	S.S. Chichibu Maru		Rejoined by Lytton (arri- ved July 16th, from Tokyo).
20th	Left Arr.	Tsinan Peiping	Rail			Aldrovandi, McCoy, Schnee, Haas, Pelt, Pastuhov, Charrère, Biddle.

Date	Arrived or departed	Place	Means of travel	Remarks	Map symbol	Personnel
July 20th	Left Arr.	Tsinan Peiping	Air		4	Lytton, Claudel, Den- nery, Astor, Jouvelet.
July 20th to September 4th		Peiping			4	Rejoined by : Angeli- no, Dorfman, von Kotze, Wou (July 20th ; see E, above) ; Young (July 26th ; see I, above). Depart- ed : Denner (August 26th, for Paris via U.S.A.) ; Blakeslee (August 31st, for U.S.A.) ; Lytton, Aldrovandi, McCoy, von Kotze, Astor, Biddle (September 4th for Geneva, via Shan- ghai and Suez) ; Clau- del, Schnee, Jouvelet (September 5th, for Geneva, via Siberia).

[Communicated to the Council
and the Members of the League.]

Official No.: **C. 775. M. 366.** 1932. VII.

Geneva, November 19th, 1932.

LEAGUE OF NATIONS

APPEAL BY THE CHINESE GOVERNMENT

OBSERVATIONS OF THE JAPANESE GOVERNMENT

ON THE

REPORT OF THE COMMISSION OF ENQUIRY

Note by the Secretary-General :

The Secretary-General has the honour to circulate to the Council and Members of the League the observations of the Japanese Government on the Report of the Commission of Enquiry, which was distributed on October 1st as document C.663.M.320.1932.VII.

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