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ECONOMIC DEVELOPMENT IN MANCHOUKUO

By

KIYOSHI KANAI

JAPANESE COUNCIL
INSTITUTE OF PACIFIC RELATIONS

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KIYOSHI KANAI
OF
THE SOUTH MANCHURIA RAILWAY COMPANY

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PREFACE

Four years have already passed since the founding of Manchoukuo. Europeans, Americans, Japanese and others can now see for themselves the unmistakable improvements that have been made by this young and ressurrected nation and contrast the conditions existing to-day with those of the Chang Tso-lin and Chang Hsueh-liang days. The circumstances that led to the birth of a new nation, whose people were long shackled by the despotism of warlords, has been reviewed even in the halls of the League of Nations. The background of Manchoukuo's independence may be generally known because of the wide publicity it received. The subsequent accomplishments of this young nation, however, manifestly suffer from a want of understanding and appreciation, perhaps readily to be gained by comparison with conditions in the past.

Civil wars, for one thing, are no longer known in Manchoukuo. Civil war not only causes destruction in the battle fields. The misfortune it inflicts upon the people is exceedingly great in that much damage is incurred through extortion and raids besides the fact that it paves the way for the levying of excessive taxes. Manchoukuo admittedly has small bands of outlaws along its far-flung borders, but there are no large armies of communist bandits in this country as there are in China, where they loot, plunder and destroy life and property and ruin industries over a domain large enough to include several provinces, from Fukien Province bordering on the Pacific to the center of Szechwan Province. Officials and civilians alike in China live in fear of marauding armies of communist bandits. In Manchoukuo, there is internal peace and freedom for the people confidently to pursue their varied industries, without fear of molestation, least of all of civil strife.

Famine is unknown in Manchoukuo. It is beyond human power to predict and forestall crop failures caused by unfavorable climatic temperament, but Manchoukuo has been fortunate in not having suffered through famine. In the Northwestern regions of China, hundreds of thousands are said to die of hunger. The difference

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perhaps lies in Manchoukuo's ability and preparedness to provide.

Floods respect no national boundaries and occur in all parts of the world. They generally come in the wake of heavy and protracted rains. We sympathize deeply with the plight of the Chinese people who continue to suffer from disastrous floods, especially from the overflowing of the Yangtze and the Yellow Rivers. In 1932, there was a big flood in Manchoukuo and Harbin, one of the largest cities in the country, was badly inundated. Houses and office buildings for about 400,000 people were partially submerged in muddy water. Relief was hazardous. Japanese engineers, however, in spite of the difficulties, they faced, saved most of the buildings from greater ruin. Dikes were built around the city and the water pumped out before winter set in. In the construction of houses in Harbin, lime is used instead of cement. During winter the temperature falls to 40 degrees below zero, and the advent of warmer weather in spring adversely affects the lime used in buildings. Had it not been for the Japanese, 90% of the structures iu Harbin might have been destroyed by the freezing and thawing processes of the flood water reacting on the lime content of the buildings. Two years later Harbin again suffered from another flood, but the city authorities with the help of the Japanese applied the experience gained from the 1932 flood and successfully diverted the waters of the swollen Sungari River. It is generally believed that had these floods occurred during the former Chang regime, that is before 1931, the citizens of Harbin would have had to pay extremely heavily in the loss of most of their buildings.

Manchoukuo to-day is comparatively free of deadly epidemics and diseases that generally make heavy claims on human lives. It was not so before 1931. The striking change may be traced partly to the fact that the Government of Manchoukuo now undertakes to teach the people the principles of hygiene. Then, too, medical trains and doctors are now despatched to interior regions where traditionally no medical aid had ventured.

Two obstacles existed before the smooth development of Manchoukuo. In the north there was the North Manchuria Railway under the Soviet Regime—in the south existed the S.M.R. Zone under the extraterritorial administration of the Japanese. Both of these impediments, however, have now been eliminated. The North Manchuria Railway and all the rights appurtenant

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thereto were purchased by Manchoukuo in March 1935 while on June 10th of the present year administrative rights in the S.M.R. Zone were transferred by Japan to Manchoukuo.

Soon after the founding of the new state a stable monetary system has been established in Manchoukuo. In the old regime there existed several forms and units of currency which through extensive and unreasonable inflation were devaluated to approximately one fiftieth of their original value. In the days of Chang Tso-lin and Chang Hsueh-liang for instance contracts were made for the purchase of soya beans and other crops while they were yet in the fields. Then before the harvest season paper currency was issued to cause indirectly the devaluation of the crops through inflation and finally in order to satisfy their greed the despotic rulers sold the crops purchased with practically worthless money in silver taels.

Since the establishment of Manchoukuo four years ago, 3,000 kilometers of new railway lines have been constructed. Railways in Manchoukuo now total 8,400 kilometers including railway lines owned by the South Manchuria Railway Company.

A few words must be said of Manchoukuo's connection with Japan. Manchoukuo is mainly an agricultural country and possesses natural resources not found in Japan. Manchoukuo sends soya beans and other raw materials to Japan and in exchange receives manufactured products from Japan. The exchange, raw materials for manufactured goods, caused the formation of the so-called Japan-Manchoukuo Economic Bloc, which, naturally, is being further developed. Since the establishment of Manchoukuo, imports from both America and Germany have increased, but their increases are not to be compared with the increase of Japanese sales in Manchoukuo. This is for the obvious reasons that Japan has invested much more heavily than others in Manchoukuo, that Japanese ports are closer to Manchoukuo, that Japanese manufactured goods are cheaper and not inferior in quality. Japan has already spent in Manchoukuo about 800,000,000 yen in military expenditures alone since the Mukden Incident. Another 800,000,000 yen has been invested in developing the country. The development has been done mostly by the South Manchuria Railway Company and the construction of railways consumes the greater part of this fund.

Railways are necessary in a young and extensive country like

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Manchuria for the economic development as well as for the maintenance of peace and order. All these new lines which are now in operation, will become paying propositions when immigrants settle along them in the near future. The so-called Japanese Imperialism is different from European Imperialism, for where the latter is accused of having taken what it could out of colonial lands with comparatively little thought of the welfare of the people, Japan is investing large amounts of money in Manchoukuo to help develop the country. A large part of Japanese money invested in Manchoukuo is not bringing any immadiate returns, including investments in education and sanitation and for improvements in agriculture and various public works. Japan is aiding Manchoukuo in the similar spirit with which she has helped develop Formosa and Korea. A part of the money invested for the development of Manchoukuo is finding its way back to Japan in the form of purchases by Manchoukuo of various building materials, railway equipment and other goods supplied by Japanese firms. Not a small part of 1,600,000,000 yen was spent in Japan for obtaining materials necessary for the development of Manchoukuo. Receiving large orders from Manchoukuo have further kept going the wheels of Japanese industries.

There is no government in this world that can satisfy all classes that make up its population. Manchoukuo is no exception. Certainly there are some Manchoukuo people who are not pleased with the present situation. But the writer believes Manchoukuo is one of the few countries in the world where there exists the least number of people who are extremely disatisfied of their government. One reason for this is that those who were dissatisfied with the change of government escaped to China. It is said that more than 10,000 people fled from Mukden at the time of the Incident, but that now over 80% of them have returned. Soon after the Incident, there were many empty houses within Mukden's city walls. Today, however, vacant houses are no longer to be found there. This phenomenon is an example in point. Several hundred thousand people in Shantung and Hopei are willing to migrate to Manchoukuo every year, for they realize conditions in Manchoukuo are far better than conditions in China.

Manchoukuo's expenditures amount to about 200,000 yuan. This is fully covered by revenues derived from customs duties, monopoly incomes and taxes. A few of Manchoukuo's out-

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standing achievements may be enumerated as follows : a sound monetary system has been established, taxes have been reduced, new laws benefiting the people have been issued, there is justice now in the courts. Industries are being developed, new railways and highways are under construction, telegraph, telephone and aerial services are being speedily extended throughout the country. These and innumerable other developments have been made possible through the assistance of Japanese officials, experience, instruction, money and labor. The only unhappy outlook is along the Siberian border. Here the Soviets have placed a large armed Communist Army and have greatly increased their armed forces in Eastern Siberia. The border between Manchoukuo and Soviet Russia is not well marked and this frontier must, by all means, be defined by both Russia and Manchoukuo. The attitude of the Soviet authorities in agreeing to an international commission to define the ambiguous Soviet-Manchoukuo frontier, will, the writer hopes, end these frontier disputes, which are troubling both countries.

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CHAPTER I

GOVERNMENT

1. CENTRAL GOVERNMENT

MANCHOUKUO became an independent nation on February 18, 1932, by virtue of a proclamation issued by the Administrative Committee of the North-eastern Provinces. The new Government was officially announced on March 1, at Mukden, and adopted Tatung as the name of the new era it introduced. On March 9 of the same year solemn ceremonies were held for the inauguration of Chief Executive Pu Yi and for the announcement of the Organic Law governing the formation of the new State. A Law guaranteeing civil rights was also issued. These steps prepared the way for establishing a Central Government at Hsinking (formerly Changchun).

On March 1, 1934, the second anniversary of the establishment of the new State, a monarchical form of Government was adopted. The new era it inaugurated was named Kangtê and the Chief Executive, in accordance with the will of Heaven and the wishes of the people, was enthroned the first Emperor of Manchoukuo. At the same time a new set of revised laws and regulations to conform to the change in government was promulgated.

Under the direct control of the Emperor are four organs, the State Council, the Legislative Council, the Supervisory Council and the Supreme Court, through which the legislative, administrative, and judicial organs of the State are harmonized and coordinated. In addition, there is an advisory body, the Privy Council, that is attached to the Emperor.

The State Council is the highest central administrative organ and is under the guidance of the Prime Minister. The Council consists of nine departments which are as follows: Civil Affairs, Foreign Affairs, Defence, Finance, Industry, Communications, Justice, Education and Mongolia Administration. The heads of these departments are called State Ministers. (These departments conduct State affairs under their jurisdiction, thus insuring the

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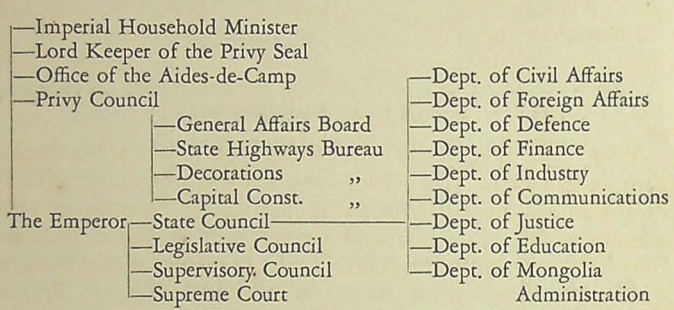
smooth functioning of the Empire as an advanced nation.) Besides, there are two other departments under the direct supervision of the Emperor, namely, the Privy Seal and the Department of Imperial Household Affairs.

The following abridged chart illustrates the organization of the central government:



The following is a list of the positions and their incumbents:

Privy Council	
President	Tsang Shih-yi
Legislative Council	
President	Lin En-ko
Imperial Household Department	
Minister	Hsi Chia
State Council	
Premier	Chang Ching-hui
Supervisory Council	
President	Lo Chen-yu
Department of Civil Affairs	
Minister	Lu Yung-huan
Department of Foreign Affairs	
Minister	Chang Yen-ching
Department of Defence	
Minister	General Yu Chih-shan
Department of Finance	
Minister	Sun Chi-chang
Department of Industry	
Minister	Ting Chien-hsu
Department of Communications	
Minister	Li Shao-keng
Department of Justice	
Minister	Feng Hang-ching

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Department of Education	
Minister	Yuan Chen-to
Department of Mongolia Administration	
Minister	Chi-mo-te-sai-mu-pei-lo
Supreme Court	
President	Lin Chi
Supreme Procuratorate	
President	Li Pan
Ambassador to Japan	Hsieh Chieh-shih

2. LOCAL ADMINISTRATION

Prior to the founding of Manchoukuo, there was in Manchuria, then known as the Four North-eastern Provinces, no machinery of government necessary for the unification and control of local administration. Provincial and hsien (county) governments were only nominally under the control of the Chinese National Government at Nanking ; virtually they were independent organs. Provincial governments had no control over hsien governments. What was more, various sections of each hsien government were highly independent of one another. Such a state of affairs brought about adverse conditions under which all kinds of political evils were able to exist.

Measures to remedy the situation were undertaken by the Government of Manchoukuo immediately after the establishment of the State. A policy was adopted which denied the old, feudalistic form of local administration, replacing it with a more efficient form of local self-government based on the principle of centralization of administrative power. Special care was taken in readjusting control, particularly in the matter of expenses, with a view to relieving the long-suffering people of any unduly heavy burden.

The country is now divided into the following 10 provinces : Kirin, Lungkiang, Heiho, Sankiang, Pinkiang, Chienato, Antung, Fengtien (Mukden), Chinchow and Jehol. There is in addition a special district designated as the Four Hsingan Provinces. For administrative reasons, two special municipalities have been created, one in Hsinking and the other in Harbin. The 10 provinces are subdivided into 159 hsien and 4 banners, in addition to the 3 ordinary municipalities of Mukden, Kirin, and Tsitsihar. The Four Hsingan Provinces comprise 26 banners and 3 hsien. Except

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for the banners which are under the jurisdiction of the Ministry of Mongolian Affairs, since their inhabitants are mostly Mongols, all divisions of the country are under the control of the Ministry of the Interior in the matter of local administration.

The provincial governments are intermediaries between the central organs and the ordinary municipalities, hsien and banner governments. They do not possess the right to levy taxes and their expenses are defrayed from the National Purse. The ordinary municipalities as well as the special municipalities, however, are all invested with taxation rights, besides exercising authority as self-governing organs. The difference between special and ordinary municipalities lies in the fact that the former deal directly with the Central Government while the latter are in touch with the Central Government through their provincial governments. Hsien governments operate much in the same way as do ordinary municipalities.

3. POPULATION

Prior to 1932 little effort was made to obtain reliable census figures in Manchuria. In that year, the population of Manchoukuo was estimated at 30,000,000. The number increased rapidly, augmented by large-scale population movements into the country chiefly of Chinese, Chosenese and Japanese. According to a survey conducted by the Government the total population at the end of 1934 was 32,482,627, excluding the S.M.R. Zone and the Kwantung Leased Territory. The increase would be, in round figures, about 830,000 per year.

The following table shows the distribution of the population in relation to the size of each territory:

Provinces or Districts	Sq. Km.	Population
Kirin	89,910.352	4,504,180
Lungkiang	125,536.551	2,159,448
Heiho	109,813.005	51,990
Sankiang	107,544.608	876,695
Pinkiang	143,425.463	4,189,707
Chientao	29,394.896	597,299
Antung	48,225.735	2,804,789
Fengtien	85,546.224	9,495,902
Chinchow	39,461.643	3,292,532
Jehol	96,585.470	2,552,147
Hsinking Sp. Municipality	191.000	166,242

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Provinces or Districts	Sq. Km.	Population
Harbin Sp. Municipality	929.500	482,452
North Manchuria Special District (*1)	(1,147.167)	218,779
West Hsingan	80,410.552	1,090,465
South Hsingan	79,021.515	
East Hsingan	106,751.007	
North Hsingan	160,395.731	
	1,303,143.252	32,482,627(*2)

*1. Area already included in those of Kirin, Pinkiang, Lungkiang and East and North Hsingan Provinces.

*2. As on Dec. 31, 1934.

N.B. The area of the S.M.R. Zone (295 sq. km.) is included in the above figures but not that of the Kwantung Leased Territory (3,462.34 sq. km.) The combined population of the S.M.R. Zone and Kwantung Leased Territory, which is excluded from the above table, as on June 30, 1935, was 1,556,827, including 338,169 Japanese, 32,304 Chosenese and 2,389 Europeans and Americans.

FOREIGN RESIDENTS IN MANCHOUKUO INCLUDED THE FOLLOWING

(excluding Kwantung Leased Territory and S.M.R. Zone)

Japanese	90,025	Britishers	424
Chosenese	701,161	Germans	459
Soviets	21,272	Americans	226
Emigrant Russians	49,413	Others	1,098
Poles	1,519	Total	865,633

4. PEACE AND ORDER

Public peace and order in Manchoukuo have been improved to a great extent as a result of punitive operations conducted in 1933 against bandits in Jehol, and by a series of round-ups, from the fall of 1935 to the spring this year, against bandits in Kirin, Antung and Fengtien Provinces. At the time of the establishment of Manchoukuo, the total number of bandits was estimated at 200,000. Since then, however, their ranks have been reduced to less than 20,000 all told. The average size of a bandit force is now less than 50, whereas it used to be the size of formidable armies. Efforts are still being made to confiscate weapons illegally held, to reduce the number of so-called vigilance corps of the professional type, and to give opportunities for honest work to any outlaw capitulating to the authorities.

The system for the maintenance of peace and order in Manchoukuo has now been perfected and is controlled by the Peace Maintenance Corps, organized by the Japanese and Manchoukuo garrison corps and various administrative organs of Manchoukuo

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other than the general administrative system. It functions in the following manner:

The Peace Maintenance Corps takes charge of plans and maintains contact with the Kwantung Army, Manchoukuo, and other interested organs. For the maintenance of peace and order, there have been established the Central Peace Maintenance Corps at Hsinking, Provincial Peace Maintenance Corps in each province, and Hsien Peace Maintenance Corps in each Hsien in the country.

Pacification sub-committees are charged with the execution of controlled propaganda and with the task of disseminating the doctrine of Wangtao (Kingly Way Rule) under the supervision of the Peace Maintenance Corps.

In order to control propaganda relative to the maintenance of peace and order, to be carried on by various organs in Manchoukuo, a Central Pacification Sub-Committee has been established within the Central Peace Maintenance Corps, and provincial or hsien pacification sub-committees in as many provincial or hsien peace maintenance corps. It is worthy of special attention that these pacification sub-committees have effectively performed their respective tasks in keeping with the policy of carrying on unified propaganda.

CHAPTER II

DIPLOMATIC ANNALS

1. RECOGNITION OF MANCHOUKUO

Four years have elapsed since the people of Manchoukuo chose political liberation by establishing a government of their own, motivated by the desire of realizing a paradise of "Wangtao" (Kingly Way) in the land which had hitherto been under the misgovernment of warlords and their henchmen. During these four years, there has been a steady realization of the ideals that caused the people to demand a new deal in Government. Manchoukuo's national foundation is being consolidated day by day. The prosperity of the nation has been greatly increased. Constructive enterprises of every description are being carried on satisfactorily.

March 1 should always be remembered as an important day by

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the 30,000,000 people of Manchoukuo, for whom it is Empire Day. March 1 actually marks the day back in 1932 when a great step was taken toward the establishment of peace in East Asia and when there dawned in Manchuria the promise of "Wangtao" which has peace throughout the world as its ultimate aim. Already results obtained in Manchoukuo indicate possibilities of making peace in East Asia more secure and virile by depending on the spirit of harmony and co-operation among the races represented in this part of the world.

In spite of the difficult position in which Manchoukuo found itself in the eyes of the world, the people of this re-born country have unflinchingly attended to heavy duties of bringing up their infant State and at the same time have conscientiously sought to establish friendly relations with foreign countries and to promote trade relations with them.

Manchoukuo to-day is a nation confidently moving ahead. As an independent State she is making such steady headway, with Japanese assistance, that the world can no longer deny the achievements that have been registered with such telling effect. Manchoukuo's dynamic independence and development, beyond dispute now, will enter into the settlement of all problems still facing the young nation.

Manchoukuo intends to continue her efforts further to enhance her prestige as an independent State and to promote the confidence she already commands abroad irrespective of whether or not the powers of the world choose to bestow formal recognition and invite her into the comity of nations labouring for peace.

2. FOREIGN RELATION

Manchoukuo-Japan

Manchoukuo's first de jure recognition came from Japan, on September 15, 1932, when the two nations signed a protocol containing the following provision for a military alliance: "Japan and Manchoukuo, recognizing that any threat to the territory or to the peace and order of the High Contracting Parties constitutes, at the same time, a threat to the safety and existence of the other, agree to co-operate in the maintenance of their national security . . ."

Historically, Japan and Manchuria have always maintained inseparable relations. For one thing, the Japanese have invested

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heavily in Manchuria. Economically and strategically, Manchuria is Japan's "life line." Even the Lytton Report admitted the traditional importance of Manchuria to Japan, explaining that "Patriotic sentiment, the paramount need of military defence, and exceptional treaty rights, all continue to create the claim to a 'special position' in Manchuria."

In June 1934, H.I.M. the Emperor of Japan graciously dispatched H.H. Prince Chichibu as Imperial envoy to Manchoukuo. In return for this visit, the Emperor of Manchoukuo was pleased to visit Japan in April 1935, thus strengthening the bond of friendship and cordiality between the two countries. These Imperial visits are epochal events in the history of the Far East to whose peace and stability they have made a marked contribution.

In addition to national defence, agreements have also been concluded regarding financial, communication, and economic matters, which have rendered the inseparable relations all the more secure.

Manchoukuo-Salvador

The Republic of Salvador accorded de jure recognition to Manchoukuo under date of March 3, 1934, informing the Manchoukuo Government that she would permit immigrants and others from Manchoukuo to enter her country without restriction. Mr. Hsieh Chieh-shih, Minister for Foreign Affairs of Manchoukuo, in replying to Mr. Siguenza, Consul-General for Salvador in Tokyo, expressed his firm belief that the action taken by El Salvador would "contribute greatly to the peace of the Far East, as well as to the peace of the world."

Manchoukuo-The Holy See

The Holy See, under date of April 18, 1934, notified the Government of Manchoukuo of its decision to form a separate mission field in Manchoukuo, independent from that of China, and appointed Monsig. Bishop A. Gaspais as Acting Apostolic Delegate. This notice, orignally given the Manchoukuo Government by Bishop Gaspais, was confirmed on August 2, 1934, by an official communication from His Eminence Pierre Cardinal Fumasoni-Biondi, Préfet de la S. Congregation de la Propagande. At the same time, His Eminence in his communication to the Manchoukuo Foreign Minister stated that the Catholic missions in this country would gladly contribute to the moral and intellectual de-

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velopment of the country according to the disposition of the Manchoukuo authorities. On May 1, Bishop Gaspais was received in audience by H.M. Emperor Kangtê, the first foreigner to be so honoured since His Majesty's accession to the throne two months previously.

Manchoukuo-U.S.S.R.

As for Soviet Russia, formal recognition has not materialized yet. But the Soviet Union has given de facto recognition to the new State by its direct negotiations with the Hsinking Government and its authorized representatives. As early as September 1932, the first Manchoukuoan consulate was established at Blagoveschensk. At present the Soviets have a Consulate-General at Harbin and four Consulates at Tsitsihar, Heiho, Suifenho, and Manchouli, accredited originally to Nanking, but which now deal directly with the Manchoukuo Government.

On September 4, 1934, negotiations for the improvement of navigation conditions along the Amur and other border waterways came to a happy conclusion and an agreement was signed by accredited representatives of the two countries. The Manchoukuo-Soviet negotiations for the transfer of the Soviet interests in the North Manchuria Railway to the new State, conducted in Tokyo since June 1933, came to a successful conclusion on March 23, 1935, when an agreement stipulating the cession to Manchoukuo of the rights of U.S.S.R. concerning the Railway at the price of ¥140,000,000 in Japanese currency (in addition to retiring allowances to the Soviet employees of the line approximating ¥30,000,000), was formally signed between the plenipotentiaries of the two nations.

It is true that a number of border disputes have since occurred, but, provided Soviet Russia does not attempt to ignore the legitimate rights and interests and welfare of the people of Manchoukuo, controversies between the two nations ought to be settled amicably in a manner satisfactory to both sides.

A conference was held in Manchouli since June 1935 between the delegates of Manchoukuo and Outer Mongolia for the establishment of friendly relations between the two countries and the settlement of border disputes, which unfortunately came to a deadlock in November of the same year due to Outer Mongolia's obstinate and seclusive attitude. However, since the Soviet Gov-

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ernment has accepted the Japanese proposal for the creation of two commissions to demarcate and settle disputes along the eastern section of the Manchoukuo-Soviet border, one of the most outstanding questions pending between the two nations will be, the writer hopes, settled peacefully before long.

Manchoukuo and China

On May 31, 1933, an agreement, generally known as the Tangku Armistice Agreement, was reached at Tangku, at the mouth of the Paiho River, China, for a truce between the Chinese troops and the Manchoukuo-Japanese troops. As a result of this agreement, the North China district south of the Great Wall was made a demilitarized buffer zone between China and Manchoukuo.

Since then, the relations between the two countries have gradually been improved by the happy solution of various pending problems such as the agreements on through railway trains between Peiping and Mukden in July 1934, the establishment of a custom house at every gate along the Great Wall bordering the two countries in autumn of the same year, and the interchange of mail matter in December. By the establishment of these new relations, an economic rapprochement between China and Manchoukuo is also being realized now.

There is at present a Manchoukuo Embassy at Tokyo and Consulates at Shingishu (Chosen), Chita and Blagoveschensk (U.S.S.R.).

Diplomatic and consular establishments of foreign nations in this country are as follows:

Japanese Embassy at Hsinking.
Japanese Consulates-General at Hsinking, Mukden, Harbin, Kirin and Lungchingtsun.
Japanese Consulates at Antung, Yingkou, Tsitsihar, Paitsokuo, Chihfeng, Tunghua, Hailung, Taolu, Hunchun, Manchouli, Chengchiatun, Toutaokou, Chinchow, Hsinminfu, Hailar, Suifenho, Yenki, Tumen, Tunhua and Chengte.
British Consulates-General at Mukden and Harbin.
British Consulate at Yingkou.
American Consulates-General at Mukden and Harbin.
French Consulates at Mukden and Harbin.
U.S.S.R. Consulate-General at Harbin.
U.S.S.R. Consulates at Tsitsihar, Heiho, Suifenho and Manchouli.
German Consulates at Mukden and Harbin.
Italian Consulate at Harbin.

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Dutch Consulates at Harbin and Yingkou (Hon.).
Belgian Consulate at Harbin.
Danish Consulate at Harbin.
Norwegian Consulate at Yingkou (Hon.).
Polish Consulate at Harbin.
Czechoslovakian Consulate at Harbin.
Portuguese Consulate at Harbin.

AT DAIREN, KWANTUNG LEASED TERRITORY

American Consulate.
British Consulate.
U.S.S.R. Consulate.
German Consulate.
French Consulate (Hon.).
Dutch Consulate (Hon.).
Swedish Consulate (Hon.).
Finnish Consulate (Hon.).
Belgian Consulate (Hon.).
Esthonian Consulate (Hon.).
Norwegian Consulate (Hon.).

CHAPTER III

ADMINISTRATION OF JUSTICE

1. JUDICIAL SYSTEM

The present judical system of Manchoukuo comes largely as an inheritance from the old Chinese system.

The crowning defect of the old warlord regime in Manchuria was the want of a central and well-organized judiciary. Laws were dead letters without efficient courts to define and enforce them.

The fundamental policy of the new Government of Manchoukuo includes the (1) enforcement of a basic system defining the organization and authority of judicial organs, (2) speedy promulgation of various codes befitting the characteristics of national life, and (3) improvement and perfection of the judicial personnel.

As regards the compilation of codes referred to above, the Manchoukuo Government in 1934 appointed a special committee of exports in the Department of Justice, whose members in separate groups have successfully been engaged in the drafting of civil, commercial, criminal, and procedure codes as well as all relevant laws.

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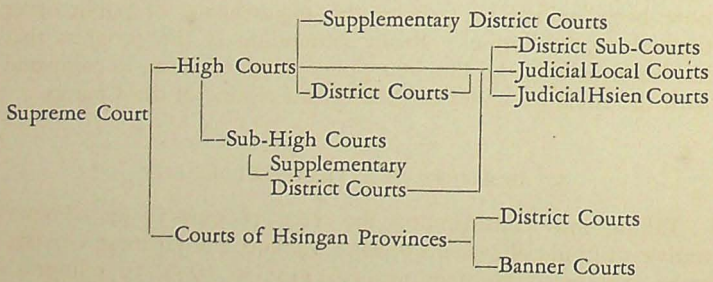
The progress of the committee's undertaking thus far has been more satisfactory than expected. In preparing these codes, counsel from Japanese experts is being sought as far as possible to leave nothing to be desired after they have been promulgated. In addition, various judicial laws have already been promulgated or are now being drafted, the principal ones of which include :

a) Provisional Business Law
b) Auction Law
c) Notary Public Law and Barrister Law
d) Law Governing Foreign Judicial Persons, Civil Procedure Costs Law, Criminal Procedure Costs Law
e) Commercial Registration Law
f) Law Governing Non-Contentious Cases.

The most important of all judicial adjustments required is the perfection of the organization of courts and procurators' offices. With this in mind, the Manchoukuo Government first proceeded with the speedy formulation of the organic law of the courts, which was promulgated on January 4, this year. With the enactment of this law in the near future, it is believed that further extensive reforms in the existing functions of judicial organs will be necessary. All preparation in this regard are under way at present.

At the same time, for the training of competent judicial officers, a number of judicial experts from Japan have been engaged as advisers and instructors. A law school for training Manchurian judicial officers also has been established by the Department of Justice.

In brief, the organization of the courts of Manchoukuo to-day is as follows :



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2. POLICE SYSTEM

Under the old militarist regime, the police system differed according to provinces and districts. There was no unification. Realizing perfection of the police system to be the first pre-requisite to the maintenance of public peace and order as well as for the protection of the nation's legal rights, the Government of Manchoukuo undertook whatever measure it saw fit toward remaking the organization.

A well-planned police system with competent police officials was felt absolutely neccessary for the preservation of peace in such an agricultural country as Manchoukuo. Under the Chang rule, police forces were undisciplined and corrupt. Instead of protecting the rights of citizens, they were engaged in all manner of evil practices detrimental to public welfare; it was generally known that they differed little from bandits.

The advent of Manchoukuo, however, put a definite end to this deplorable situation as regards policing. The Government has exerted its utmost ever since its creation to unify the police system, to improve the police personnel, to train police officials, and thus to perfect police administration under its direct supervision.

In other words, police rights of the country were centralized along with administration rights. Stricter discipline was enforced among the police officials while better treatment was accorded them. In order to train competent police officials, the Central Police School and other police training institutes were opened. Moreover, a number of police officials have been sent to Japan for more intensive training. Thanks to these strenuous efforts on the part of the Central Government, the police system has now been unified to faciliate the maintenance of public order throughout the Empire. Really astounding is the progress that has been made in the Empire's police administration, as compared with the situation under the blackguard regime of the Changs.

3. ABOLITION OF EXTRATERRITORIALITY

Taking into consideration the recent progress of the administrative and judicial systems of Manchoukuo, the Japanese Government announced its intention on August 9, 1935, to relinquish voluntarily extraterritorial rights in Manchoukuo, as well as to

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transfer or adjust administrative rights in the South Manchuria Railway Zone.

The Japanese Government's declaration to abolish extraterritoriality in Manchoukuo read in part as follows:

"Indeed, it is now necessary to abolish extraterritoriality in Manchoukuo if we are to afford that Empire free scope for development, establish a closer union and co-operation between our two peoples, make possible the general advancement of Japanese interests in all directions, and finally, strengthen permanently the inseparable and friendly relations between the two countries."

"Concerning extraterritoriality in Manchoukuo, its abolition should be effected in keeping with the spirit of the treaties in force, in gradual stages, and in accord with the degree of completion of the governmental systems and organs of Manchoukuo. . . ."

This decision of the Japanese Government to abandon the privileges of extraterritoriality which it has enjoyed since the close of the Russo-Japanese War by virtue of the Portsmouth Treaty is in conformity with its national policy aiming at the perpetuation of the relationship of indivisibility existing between the two countries.

In preparing for the abolition of Japan's extraterritorial rights, the Government of Manchoukuo set aside in its budget for the 1934 fiscal year a sum of eight million yuan. Considerable sums were also included for the same purpose in the budgets for the subsequent two fiscal years.

What should be done in preparation for the abolition of Japan's extraterritorial privileges is in regard to the productive activities of Japanese nationals. With a view to coordinating the economic relations of the two countries and also to safeguarding the productive activities of Japanese citizens, the Government of Manchoukuo has set up new systems in rapid succession.

Below is given a brief list of important laws governing production, which have already been promulgated or are expected to be issued in future.

Industrial Rights

A) Relating to industrial rights of possession: trade mark law, patent and invention law, designs law and fourteen others.

B) Relating to measures and weights: law of measures & weights and eight others.

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C) Relating to mining: mining law eight others.

D) Relating to markets: law controlling central markets, law controlling cattle exchange markets and four others.

E) Relating to stock-farming: horse race law and two others.

F) Relating to currency and credit: currency law, banking law, credit association law, foreign exchange control law and fifteen others.

At the time of this writing the writer learned that on June 10, Japan signed a treaty with Manchoukuo for partial abolition of extraterritoriality.

Commenting on the conclusion of the new treaty between Japan and Manchoukuo, the authorities of the Japanese Foreign Office explained that the new pact had been signed because of the growing tendency in Japan to favour the application of Manchoukuo taxation and industrial laws and regulation to Japanese nationals in Manchuria as the first step towards the abolition of Japanese extraterritoriality and transfer and adjustment of administrative rights within the South Manchuria Railway Zone. The authorities declared that such a step was warranted because of the geruine reforms which have been made in the various systems of Manchoukuo.

The New Japanese-Manchoukuo treaty consists of the main treaty, a supplementary agreement, and a number of agreed terms of understanding. Presupposing the abolition of Japanese extraterritorial privileges in Manchoukuo and the adjustment and transfer of administrative rights within the S.M.R. Zone, the first article of the treaty, provides that Japanese nationals in Manchoukuo shall be free to reside, travel and engage in agriculture, commerce, industry, etc., in addition to their enjoyment of all rights relating to land. It also provides that Japanese residents in Manchoukuo shall not be subject to disadvantageous treatment when compared with that accorded the subjects of Manchoukuo.

The second article of the treaty stipulates that Japanese nationals residing in Manchoukuo shall be subject to the administrative laws and ordinances of Manchoukuo governing taxation, industry, etc. The authorities of the Japanese Foreign Office explain that this article means partial abolition of Japanese extraterritorial privileges as well as partial transfer of administrative rights within the S.M.R. Zone to the Manchoukuo Government. They further explain that such steps have been taken according to the decided

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principle of progressive abolition of extraterritoriality and in conformity with the actual conditions prevailing on the spot.

The supplementary agreement to the treaty is intended to prevent sudden, violent changes in the economic life of Japanese residents in Manchoukuo on account of the partial abolition of extraterritoriality. Article 4 of this agreement stipulates that the Japanese administrative police throughout Manchoukuo, including the S.M.R. Zone, shall be abolished by the end of 1937.

In conclusion, the authorities of the Japanese Foreign Office point out that as stated in the preamble of the treaty, the new Japanese-Manchoukuo pact is aimed to promote the development of Manchoukuo on a sound basis and perpetuate the inseparable relations already existing between the two nations.

CHAPTER IV

MILITARY SYSTEM

Prior to the Mukden Incident, Chinese troops were maintained by warlords, as corraborated in the Lytton Report, which says: "It's 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." Each military commander in his local district increased his military strength for the purpose of fighting for supremacy and his own interests. The orders of the Central Government were not observed even in such matters as the transfer of commanders and changes of army posts. This was due to the lack of unification in China. Since the indepedence of Manchoukuo, great efforts were made to centralize its military forces as well as to reorganize them into a modern and systematic fighting unit. As a result, changes in commanding officers and even in posts for troops, things quite impossible in China proper, are now carried out without the least hitch. Not only that, the quality of soldiers has been greatly improved as compared with that of the soldiers of the former Manchurian regime who were hardly distinguishable from bandits. A strict examination is held over fresh recruits for the Army, the Navy, the Gendarmerie, etc. Particularly, as to the training of officers of different units, graduates

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from the various Service Schools, both Manchoukuoan and Japanese put together, exceeded 700 during the past year, those newly admitted into them numbering over 500. The old saying: "No man of sterling quality joins the army" has now evaporated into a mere memory of the past.

The standing army of Manchoukuo numbers at present some 80,000 officers and men, divided into five garrison districts and four divisions in Hsingan Province, in addition to the Peace Preservation Army which is directly attached to the War Office, and an independent cavalry brigade to guard the capital. On March 5, 1934, the Emperor of Manchoukuo issued a message to His army, each unit of which received its own military standard. In October, last year, under the supreme command of the Emperor the second special grand manoeuvres of the army were staged outside the capital.

Turning to the Navy, the River squardron, with its base at Harbin, has been expanded by degrees. The five old fashioned gunboats, have been reinforced with fifteen of the latest types, a total of 2,000 tons, which cruise on the Sungari, the Amur, and the Ussuri.

The Army and Navy, however, are not quite up to par at present and they must be improved considerably in the future in respect to their general qualifications, organization, and equipment. The Manchoukuoan military authorities are concerned primarily at present over the question of unifying the thought and strengthening the moral of those soldiers and sailors. Both of the fighting organs, though intended for garrison purposes are being trained so that they may be employed effectively in defence of the country in time of need, in co-operation with the Japanese Army.

CHAPTER V

STATE FINANCE

1. REVIEW OF NATIONAL BUDGETS SINCE THE FOUNDING OF MANCHOUKUO

Five times has the national budget been compiled by Manchoukuo since its establishment, and, though it is only four years since that epochal event, a study of the transition undergone by the

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series of budget compilations reveals traces of administrative improvements and national consolidation. Below is given a summary review of the developments witnessed in the successive budgets.

The Period Immediately Following the Establishment of the State

During this early period which covered only four months from March 1 to June 30, 1932, the proper functioning of the various administrative organs could not be secured completely, and it was extremely difficult to make a definite estimate of revenues and expenditures on a yearly basis. The Government was, therefore, obliged to compile a monthly budget.

The First Fiscal Year of Tatung

(July 1, 1932—June 30, 1933)

As a temporary measure the system which had been in practice during the former days was adopted, and the Government fixed the fiscal year to cover the 12-month period from July 1, 1932, to June 30 of the following year. On the belief that it was most urgent to consolidate the State finances first, the Government decided on the fundamental policy not to borrow either by issuing bonds or by contracting loans to make up deficits in revenues. Accordingly, after making this policy thoroughly understood by all the Departments, the authorities ordered them to prepare and submit their respective draft estimates strictly in accordance with this policy. It was not until October 18 that the budget was fixed. Great importance was attached to the maintenance of peace and order and the consolidation of national finances and efforts were made to maintain as far as possible the balance between revenues and expenditures, not by incurring any substantial increase in the burdens upon the people, but by ensuring the security of revenues through the adjustment of the tax collecting system on the one hand, and by exercising strict economy in expenditures on the other. Moreover, the budget included a special reserve fund amounting to M ¥ 15,000,000 for ensuring smooth functioning of the budgetary system lest the expansion of the nation should in any way be obstructed. Military expenditures, which under the former regime, used to occupy as much as 83 per cent. of the total expenditures now represented only 29 per cent. and a major portion of the budgetary estimates was allotted, as has always

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been the case ever since the foundation of this new State, to measures designed to promote the hitherto neglected welfare of the people, a fact without precedence before Manchoukuo was established.

The Second Fiscal Year of Tatung

(July 1, 1933—June 30, 1934)

Promulgated on June 30, 1933, the budget was compiled on the same basis as that of the previous fiscal year. With the lapse of one and a half year since the establishment of the State, it was possible now to make a forecast of revenues and expenditures, and, accordingly, it was unnecessary to keep a large special reserve fund as in the previous year. Moreover, the local budgets which up till then used to be compiled by each provincial government, were taken over by the Central Government. The unusually large appropriations in the extraordinary budget are accounted for by the Government's need of funds to meet the payment of the Government-subscribed shares of the Central Bank of Manchou and other special companies, to finance pacification campaigns in the interior regions and to build or repair various central and local government offices.

The First Fiscal Year of Kangtê

(July 1, 1934—June 30, 1935)

This budget which was promulgated on June 28, 1934, was based previously on the policy of eliminating the so-called red ink finance, consolidating the basis of the State finances and maintaining internal order—a policy which has been consistently followed since the very beginning. Special stress was laid on the institution of facilities for the development of industries.

The Second Fiscal Year of Kangtê

(July 1, 1935—Dec. 31, 1935)

The budget was promulgated on June 26, 1935. Owing to the decision of the Government to make each fiscal year correspond to the calendar year on and after January 1, 1936, the budget covered the half-year period from July 1 to December 31. The policy of preserving sound finance was followed as faithfully as before.

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The Third Fiscal Year of Kangte

(January 1, 1936—December 31, 1936)

In compiling the new budget, the Government closely adhered to its traditional policy of solidifying the basis of national finances avoiding as far as possible an undue increase of expenditures by exercising strict retrenchment. Provisions are made in the budget, as in previous fiscal years for the necessary preparations required for the proposed abolition of extraterritoriality and transfer or adjustment of the administrative rights in the South Manchuria Railway Zone, the sum of M¥ 3,600,000 being set aside for this purpose.

Continuing its policy and practice of upholding international good faith, the Government has set aside in the new budget the sum of M¥ 10,324,687 to meet its due share of foreign loans secured on the Chinese Maritime Customs and Salt Gabelle, thus bringing the total of the "Adjustment Fund for Old Loans Secured on Customs Duties and Salt Gabelle" to M¥ 46,497,739.

The sum of M¥ 19,500,000 has been appropriated in the budget for Manchoukuo's share of the defence expenditures incurred by the stationing of Japanese troops in Manchoukuo in accordance with the Protocol of Sept. 15, 1932.

The budget for the fiscal year 1936 may be itemized as follows:

REVENUE ESTIMATES ORDINARY

Taxes and Duties	M¥ 161,757,000
Customs Duties	84,761,000
Internal Revenue	53,148,000
Salt Gabelle	23,848,000
Stamp Revenue	8,639,326
Monopoly Profits	15,834,000
Monopoly Bureau Profits	13,234,000
Kirin-Heilungkiang Salt Transportation Office	2,600,000
Revenue from State Industries and Other Sources	7,003,730
TOTAL	M¥ 193,234,056

REVENUE ESTIMATES EXTRAORDINARY

General	M¥ 4,099,678
From Special Accounts	2,925,489
Loan Funds	10,000,000
Surplus from Previous Year	9,145,777
TOTAL	M¥ 26,170,944
GRAND TOTAL	M¥ 219,405,000

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As regards allocations for the various Government Departments, that of Defence stands uppermost on the list, its total expenditure being 73,545,130 yuan or nearly 35 per cent. of the total state budget. The General Affairs Board comes next with 48,914,521 yuan, followed in order by the Department of Civil Affairs with 40,073,711, the Department of Finance with 25,394,281 and the Department of Justice with 9,886,130. Details follow : (Unit : M¥ 1,000)

Department of Imperial Household	2,000,000
General Affairs Board	48,914,521
Department of Civil Affairs	40,073,711
Department of Foreign Affairs	1,531,347
Department of Defence	73,545,130
Department of Finance	25,394,281
Department of Industry	5,623,368
Department of Communications	4,115,722
Department of Justice	9,886,130
Department of Education	5,090,043
Department of Mongolia Administration	3,230,747

Manchoukuo's national budget estimates since its foundation are as follows : (Unit : M¥ 1,000)

	Revenues (Total)	Expenditures (Total)
First Fiscal Year (July, 1932—June, 1933)	113,308	113,308
Second Fiscal Year (July, 1933—June, 1934)	149,169	149,169
Third Fiscal Year (July, 1934—June, 1935)	188,725	188,725
Fourth Fiscal Year (July 1, 1935—Dec. 31, 1935)	104,998	104,998
Fifth Fiscal Year (January 1—Dec. 31, 1936)	219,405	219,405

2. TAXATION

When Manchoukuo was founded, the financial leaders divided the tax adjustment program into three periods. First, they decided, they would unify all the tax collection organs. In the second stage the Government is to attempt to iron out inequalities between the different provinces and to reduce taxes calculated to

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hamper the growth of industry. In the third and final stage, the Government will make a nation-wide survey of taxation and try to set up a single system, not dependent upon provincial boundaries. The first two stages have been finished and the third has been started since last year.

The Government has incorporated in its social and industrial policies a system of gradual reduction of internal taxes and readjustment of various other duties and levies. Besides the unification of business taxes and readjustment of the foodstuff tax, the Government has effected the reduction of the abolition of some sixteen different taxes, such as land and business taxes, salt surtax, cigarette tax, etc., relieving the people of tax burdens amounting to about M¥ 26,000,000. In view of the importance of salt in the daily life of the people, the authorities have lowered the price of this commodity by M¥ 0.30 per picul since March, 1934. This fact plus the realization that the Government officials are no longer bent on exploiting or squeezing the people as in the olden days but are asking for the payment of only lawful and reasonable taxes, has encouraged the people to meet their tax obligations willingly and the result has been an increase of national revenues year by year.

Customs duties provide the largest share of revenue in Manchoukuo. The others, in order of importance, are the salt gabelle, other consumption taxes, the production tax, the business tax and the land tax. The Customs Tariff regulations which the Manchoukuo Government took over from the old regime contained various inadequate and unreasonable points in respect to both rates and classification of articles. With a view to alleviating such factors a partial revision of the country's import and export duties was promulgated on July 23, 1933 and took effect from the following day. Certain other inadequacies were felt since then and on November 14, 1934 a second revision was promulgated and put into effect on November 22.

The rates of export duties are either repealed or lowered for some of the following articles : Lumber, coal, beef, woolen rugs, cattle and dairy products, agricultural products, bran, castor oil, and alcoholic beverages distilled from kaoliang. In addition, the present scheme aims at the repeal of the navigation tax on the Sungari River.

Although no agreement has been made, the Manchoukuo

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Government is setting aside part of the customs and salt revenue to pay charges on loans contracted by the former Chinese Government when Manchuria was part of that country.

3. GOVERNMENT MONOPOLIES

Salt Monopoly System

It is reliably learned that the official investigations into the Empire's salt consumption and cost of salt production having been nearly completed, the Government of Manchoukuo has decided to unify the existing salt monopoly system on January 1, 1937.

According to a tentative plan worked out by the authorities concerned, the present methods of selling salt and collecting salt gabelles and surtaxes will be made uniform throughout the country under the supervision of the Chuehyungchu, the Central Salt Monopoly Bureau, and the Yenwushu, the Central Salt Gabelle Bureau.

Under the present system, a tax of 6.3 yuan per 100 chin is levied on the consumers, while the people of Kirin and Heilungkiang Provinces are subjected to an additional surtax of three to four yuan. Hence the unification of these conflicting methods has been a subject of discussion for many months past.

In unifying the system, care will be taken by the Government not to bolster the present price of salt. Instead, an appreciable lowering of the price, it is understood, is the chief objective of unification. Inasmuch as the salt gabelle constitutes one of the biggest sources of revenue for the Manchoukuo Government, it is stated that efforts will be made by the authorities not to cause any decline in the salt revenue, which averages 25 million yuan at present, even after the unification of the system has been effected.

The tentative plan as indicated by the Manchoukuo Government is along the following lines :

(1) The time from November last to June 1936 shall be a period of preparation, during which inquiries should be made into detailed problems on the basis of the fundamental investigations conducted thus far.

(2) Upon completion in July 1936, of a close study of the entire matter final decision shall be made regarding the date of enforcement of the new system and also the principles of relevant

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regulations. The new regulations after being drafted shall be promulgated at the end of October 1936.

(3) The new monopoly system shall be enforced on January 1, 1937. In enforcing it, special care shall be taken to lower the price of salt by avoiding a rise therein with a view to smooth distribution of salt among the populace. Care shall also be taken to ensure the existing salt revenue of 25 million yuan.

Meanwhile, the total output of salt in Manchoukuo during the past year will indicate a record-breaking figure for recent years. According to official forecasts, salt exports to Japan alone this year will exceed 200 million chin, an increase of 50 million chin, over 1932 when the exports indicated the highest volume in the past. This rise in Japan's demand for Manchurian salt is attributed mainly to the phenomenal progress in recent years of the soda industry in that country.

Opium Monopoly

a) Opium Smoking

The opium smoking habit dates back to ancient times in China and Manchuria and is deeply rooted in the daily life of the people. In order to correct this long-standing habit, the policy of the Government lies in adopting measures for the gradual reduction of the number of addicts, based upon the hope of ultimate prohibition. In other words, the Government seeks strict prohibition of opium smoking by the general public, permitting smoking only for addicts and providing special infirmaries to take care of such addicts. It is the aim of the Manchoukuo Government to reduce the evil gradually and then finally cause its eradication by enlightening the people through the work of educational and social establishments.

b) Opium Monopoly System

After carefully examining the causes for the failure of the anti-opium smoking campaign in China and also studying the methods adopted by various advanced powers for control of opium-smoking, the Manchoukuo Government enforced the opium monopoly system with a view to preventing the free production and sale of the drug.

At the same time, a decision was reached to establish State-controlled infirmaries to take care of recognized addicts and also to prevent the appearance of new addicts through the work of

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social and educational institutions.

Although Manchoukuo is not a party to any international treaties or conventions respecting opium-smoking and traffic in narcotics, she is thus co-operating indirectly with other powers in the great human campaign. The monopoly system, it is true, is the cardinal point of Manchoukuo's Opium Law, but it must be pointed out that this system was enforced not from the point of view of State finance but for the ultimate welfare of the people.

The Opium Law and "Regulations Governing the Enforcement of the Opium Law" were promulgated on November 30, 1932, and "The Law Governing the Control of Illegal Traffic in Opium" on December 20 of the same year, coming into operation on January 11, 1933.

C. OPIUM MONOPOLY REVENUE

The profits from the monopoly are set aside to cover the expenditures for the control and relief of opium addicts as well as for anti-opium educational campaigns. The monopoly revenue from July 1934 to June 1935 amounted to ¥5,000,000 or one million yen over the estimated income for that period. Though exact figures for the fiscal period from July 1935 up to the end of December of the same year were not available at the time of writing, it is expected that the actual receipts from the opium monopoly will be ¥2,000,000 more than the estimate for the period. The estimated revenue for the current fiscal year from January 1, 1936 is ¥8,000,000 and it is hoped that it will be well-balanced at the end of this year.

D. OIL MONOPOLY

For the purpose of developing oil resources, aiding its manufacture and adjusting supply and demand, as well as rationalizing the price, the Government instituted an oil monopoly system which came into force on April 1, 1935.

Under this system, the Monopoly Bureau of the Government directs charges of the sale of petroleum, benzene, and substitutes for fuel oil, and entrusts their manufacture, importation, and exportation only upon those who are so authorized by the Manchoukuo Government.

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Previous to the proclamation of the Oil Monopoly Law in Manchoukuo, the Manchuria Petroleum Company having been established by the Government as the first step for the national control of oil, Great Britain and the United States of America protested to Japan against the effects of what they thought was the foundation of an exclusive and monopolizing Japan-Manchoukuo economic "block." It may be added that the Manchuria Petroleum Company operates a plant capable of treating 5,000 tons of crude petroleum a month.

In this connection, it should be clearly borne in mind that Manchoukuo is not intending to close her doors to the importation of oil nor to allow any special individuals or countries to monopolize the Manchurian market for oil. On the contrary, Manchoukuo is going to purchase crude oil from abroad in an ever-increasing amount, but its refining and sale will be carried out by her own hands to ensure smooth distribution and to prevent undue fluctuations of price and uncontrolled profiteering.

4. NATIONAL LOANS AND SINKING FUND

Although the Government makes it a general rule not to float loans to cover any revenue deficit, the following national loans and cash debts have been contracted since the founding of the new government:

	Loans	Cash Debts	Total
Domestic . .	M¥ 62,675,250	52,946,452.46	115,621,702.46
Foreign . . .	G¥ 128,000,000	18,200,000.00	146,200,000.00

A. LOANS

1.	Old Regime Debts Readjustment Loan . .	M¥ 5,997,950.00
2.	Shen-hai, Hu-hai, Ssi-ko Railways Expropriation Fund Loan	11,928,000.00
3.	Customs Officers' Grant Loan	3,599,300.00
4.	Central Bank of Manchou Loss Compensation Loan	33,000,000.00
5.	National Foundation Grant Loan	8,150,000.00
	TOTAL	62,675,250.00
1.	National Foundation Loan	G¥ 28,000,000.00
2.	First Enterprises Loan	10,000,000.00
3.	First N.M.R. Purchasing Loan	30,000,000.00

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4.	Second N.M.R. Purchasing Loan	30,000,000.00
5.	Third N.M.R. Purchasing Loan	30,000,000.00
	TOTAL	G ¥ 128,000,000.00

B. CASH DEBTS

1.	National Highways Construction Fund . . .	7,000,000.00
2.	Forestry Recovery Fund	1,689,526.70
3.	Capital Construction Fund	5,500,000.00
4.	State Founding Fund (Central Bank Shares) . .	7,500,000.00
5.	Opium Monopoly Fund	2,600,000.00
6.	Cities Construction Fund	2,500,000.00
7.	Manchou Development Co. Investment Fund .	3,000,000.00
8.	Harbin Electric Co. Investment Fund	9,456,925.76
9.	City Planning Fund	2,500,000.00
10.	General Accounts Fund (for 1935)	5,000,000.00
11.	Special Accounts Fund for Investments in 1935 .	4,500,000.00
12.	Special Accounts Fund for Supplies	200,000.00
13.	Special Accounts Fund for the Readjustment of National Properties	1,500,000.00
	TOTAL	M ¥ 62,946,452.46

1.	Debt from Bank of Chosen	G ¥ 18,000,000.00
2.	State Highways Repairs Fund	200,000.00
	TOTAL	G ¥ 18,200,000.00

In addition to the above, cash debts to the amount of M¥ 20,-157,990.49 have been contracted by the provincial governments.

In conformity with the practice of preserving international good faith, the Government has put aside a special sinking fund to take over a part of the former Chinese loans which were secured by mortgaging the Customs Revenue and the Salt Gabelle, as follows :

1932	. . . .	M ¥ 13,386,192
1933	. . . .	11,848,655
1934	. . . .	6,420,000
1935	. . . .	10,324,687
	TOTAL .	M ¥ 41,979,534

Furthermore, the Government has, since the 1933 fiscal year, put aside a sum equivalent to ten per cent. of the surplus of the total annual revenue as a sinking fund to cover national loans in general. This fund at present totals M¥ 1,758,600.

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CHAPTER VI

ECONOMIC AND INDUSTRIAL CONDITIONS

A. 1. Natural Resources

Natural resources in Manchoukuo are varied and abundant. Agricultural, mining, live stock and other enterprises consequently are promising. In the former days, however, no effort was made scientifically to develop the country's resources for the welfare of the people. When once developed, Manchoukuo will become a nation that can adequately supply all the important raw materials for peace as well as war, such as iron, coal, light metals and other ores.

The extent of natural resources in south Manchoukuo and in the railway zone have been thoroughly investigated. Investigations in other parts of the country, however, still leave much to be desired. Since research is the important condition for proper industrial development, the authorities are fully aware of the imperative necessity of making a more thorough survey in areas other than south Manchoukuo.

The rate at which industrialization of the country will proceed naturally depends on the amount of capital available. So far practically the entire amount of foreign capital invested in Manchoukuo since the establishment of the new government in 1932 has been forthcoming from Japanese sources although exceptions such as the British-American Tobacco Trust Company and a few others do exist.

Japanese immigration will contribute much to the development of Manchoukuo. The presence of Japanese immigrants will go a long way towards the realization of the principles of give-and-take between the two countries. As an outlet for Japan's superfluous population, Manchoukuo will find her agricultural problems in the hands of people who can naturally solve them.

2. Economic Principles of Manchoukuo

On March 1, 1933, the Government of Manchoukuo published a general outline for national economic reconstruction in order to rationalize, as well as unify, various economic activities. It also designated the goal toward which efforts should be directed. According to this outline, there are four basic policies that are

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being observed, as follows:

Firstly, the interests of the people as a whole is the key-note of the economic programme. Efforts are to be directed to prevent any exclusive class of people from monopolizing the benefits of natural resources and the fruits of industrial development. The underlying basic principle is that all should enjoy the benefits of their labor and share that which this land is capable of producing.

Secondly, in order to develop natural resources extensively and effectively and to secure coordinated economic development, national control is exercized over important economic activities and measures are provided for their rationalization.

Thirdly, in the work of unlocking resources and encouraging industries, the principle of the open door and equal opportunity is to be observed. In the spirit of this principle, capital investments from various parts of the world will be invited, while appropriate and effectual use will be made of the technical skill, experience and equipment of other nations may be able to offer.

Finally, with a view to harmonizing and rationalizing economic relations among Eastern Asiatic countries, and in view of the close economic inter-dependence between Japan and Manchoukuo, emphasis is placed upon securing co-operation between the two nations, thereby to render more intimate the relationship of mutual assistance that exists between them.

Based upon these fundamental policies, the Government of Manchoukuo will seek to control its national economy within the scope of the following limits considered as the most feasible and best under the present circumstances:

(1) Those enterprises which are important from the standpoint of national defence, or which are in nature of public utilities or direct public benefits, such as transportation, communications, iron and steel, light metals, gold, coal, petroleum, oils, automobile, ammonium sulphate, soda and lumber, will, in principle, be conducted by special companies under the supervision of the government.

(2) All other industries which are not specified above shall be left open to the free activity of private firms, unless otherwise provided for by general administrative measures depending upon the nature of such various other industries. Proper and necessary adjustment will be effected in the spheres of both production and consumption in order to promote national happiness and welfare, as well as to maintain the livelihood of the people.

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Under these circumstances, industrial control has made rapid advances and the State has taken over in one form or another practically every important national industry. The old arsenal at Mukden was rennovated along more modern lines and pressed into service in May 1933. The Showa Steel Works, the Manchoukuo Chemical Industries Company, the Manchoukuo Petroleum Company, the Dowa Motor-car Company and the Manchoukuo Soda Company represent some of the enterprises carrying out Manchoukuo's industrial policy.

3. Japan-Manchoukuo Economic Relations

Japan's economic policy towards Manchoukuo is to help and enable the latter to build up an independent economic unit closely related to the economic system of Japan, in order to advance and stabilize the economic life of both nations in the spirit of mutual existence and prosperity. Closer co-operation and fuller understanding of all important economic problems between the two nations being essential, the two Governments concluded a new treaty on July 15, 1935, providing for the establishment at Hsinking, capital of Manchoukuo, of the Japan-Manchoukuo Joint Economic Commission. The body is an advisory organ for both Governments to answer questions about important problems on economic relations between the two countries and to supervise special chartered corporations established jointly by Japanese and Manchoukuo capital. It is also authorized to make recommendations on all problems bearing on economic co-operation.

B. 1. Agriculture

Manchoukuo, with large tracts of land considered among the most fertile in the world, is chiefly an agricultural country. Agriculture is the backbone of national economy upon which are based almost all Manchoukuoan industries, trade and commerce and communications. Out of a population of 32,482,627, nearly 85% are engaged in agriculture, while out of the total area of 300,000,000 acres, some 83,000,000 acres are estimated to be arable, of which about 39,000,000 acres are now cultivated. That is to say the area of land under cultivation is twice that of Japan proper. In other words, about 27.6% of the total land area and about 46.9% of the arable land is tilled, leaving 53.1% of fertile territory awaiting cultivation. Staple farm products

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include soya beans, kaoliang, millet, maize, wheat, rice, hemp and perilla seeds.

The yield of principal farm products for 1935 were as follows (in metric tons): soya beans 3,822,287, kaoliang 3,842,365, millet 2,970,430, maize 1,801,093, wheat 934,656, rice 284,730, upland rice 137,258, perilla seeds 170,717, hemp seeds 47,035, other crops 1,074,374.

Soya beans, together with their by-products, bean-oil and bean cake, lead Manchoukuo's exports and have firmly established markets abroad. Manchoukuo produces fully 60% of the world's output of soya beans. The total export of soya beans, bean cakes, and bean oil in 1935 amounted to 47,608,350 piculs valued at M¥ 201,555,349 constituting 50% of the value of the total export trade of the country. The commodities are mostly exported to Japan, Germany and China. Export totals of soya beans, bean cakes and bean oil in 1935 were as follows:

Soya beans	29,203,883 piculs	(M¥ 130,053,055)
Bean cakes	16,925,382 „	(„ 51,370,086)
Bean oil	1,479,085 „	(„ 20,132,208)

The demand for soya beans and their products are increasing abroad as materials for making "flavor-powder," bread and cakes, vitamin B, margarine, cheese, sauce, paint, tallow, varnish, soap, glycerine, linoleum, and also as fertilizers, foodstuff and fodder. Kaoliang supplies domestic needs as a foodstuff and fodder—more than 90% of the supply being consumed at home. It is also regarded as excellent material for dextrin industries.

Some years ago the South Manchuria Railway Company established its Agriculture Experimental Station at Kungchuling. Extensive researches and experiments have brought about the development of a special variety of soya beans peculiarly adopted to the Manchurian soil. Not only the crops are 20% greater, the oil content of these beans is also 20% greater. Besides the introduction of this new variety of the soya the S.M.R. Agriculture Experimental Station at Kungchuling has had much success in the production of wool-producing sheep by crossing the native Mongolian sheep with the Merino.

The authorities concerned are well aware of the fact that Manchoukuo occupies an important position as one of the leading granaries of the world. Therefore, following the example of the

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S.M.R. the Government of Manchoukuo is sparing no efforts in making investigations and adopting measures to increase the yield of the above-mentioned agricultural products as well as to raise raw cotton, wheat, leaf tabacco, hemp, wild silk, beet, fruits, and vegetables. An agricultural experimental station was established at Chinchow in 1932 to promote the cultivation of raw cotton and leaf tobacco, and another at Koshan in 1933 to improve and increase the yield of soya beans and wheat in North Manchuria. A similar station was founded at Ningan last year to foster the raising of wheat. As for raw cotton, the Government, in 1933, inaugurated the Raw Cotton Association with branches at the various cotton producing districts with the object of studying ways and means to raise 150,000,000 catties of raw cotton by bringing some 750,000 acres of land under cultivation within the next 20 years. It also formed in 1934 the Manchuria Raw Cotton Co., whose purpose is twofold: to aid the farmers to sell their cotton without losses and to improve the quality of cotton. The establishment of a silk conditioning house at Antung to improve wild-silk crops is also under consideration.

To assist agriculture scientifically the Government, furthermore, erected the Central Meteorological Observatory at Hsinking in 1933, and local observatories at Heiho and Hailar. Similar stations were also established at Koshan, Manchouli and Hsingan in 1935. Crop forecasts are issued yearly following joint investigations by the Department of Industry and the S.M.R. Co. As already mentioned elsewhere, the Government gives various aids to the farmers, including, among other things, subsidy to the "associations for the joint sales of staple products."

2. Forestry

Magnificent virgin forests, "Seas of Forests," are found in the north-eastern sections of Manchoukuo and for the purpose of their preservation and securing their rational management, the authorities of the new regime have stopped the granting of new forest concessions and have commenced to classify forests into three categories, viz, State, public, and private. At the outset the authorities took over the various forests of the Central Bank in Kirin Province as State forests, for which purpose the sum of M¥ 2,000,000 was appropriated in the 1933 supplementary budget. Some 350 species of timber are found in the forest regions located in

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the Yalu Valley, Tumen Valley, Mutan Valley, Lalin Valley, Sanhsing District, Great Hsingan Range and Little Hsingan Range. The total area of these forests is estimated at 35,631,000 hectares with about 2,500,000,000 cu. m. of timber. The forestry offices established in 1933 at Chiaoho, Tunhua, Yenki, Wuchang and Peianchen and the branch offices at Heiho and Hailun, have been entrusted with the rational management of State forests and the improvement of forestry. Some 15 other forestry stations were also established during 1934 and 1935, including such places as Ningan, Ilan, Tangyuan Antung, Hunchun, Fusung, Chaoyangchen, Tunghua, Pamientung, Tungho, Antu and Nonkiang. A five-year programme for the investigation of forests by means of aerial photography is also being worked out. It is expected that with the progress of forest investigations and enactment of new forestry laws and regulations, the most scientific and up-to-date management of forests will become possible in the near future. Four pulp manufacturing plants are expected to be established soon.

3. *Stock-farming.*

Ample possibility exists for Manchoukuo to become a first-rate stock-raising country, provided adequate scientific management is employed. Cattle, horses, donkeys, sheep, pig, goats, chickens, ducks and geese are found in large numbers in Manchoukuo. Conservatively estimated, the horses total 1,620,000, mules 610,000, cattle 1,160,000, sheep 2,200,000, and hogs 4,960,000. Farmers are generally engaged in stock-farming as an avocation, but in the Hsingan Provinces it is the principal occupation of the Mongols, who raise large numbers of cattle, horses and sheep.

The authorities are effecting improvements in stock-farming by a careful distribution of superior imported breeds of various animals, by creating better pastures, establishing live-stock breeding farms and other necessary facilities such as a training school for veterinary surgeons at Mukden, and by sending out anti-epidemic injection parties for the prevention of contagious diseases. In 1933 the authorities prepared a programme for the raising of 2,000,000 horses of improved breed by organizing the Horse Administration Bureau, which conducts horse racing at Harbin, Hsinking and other cities from time to time in accordance with the Horse Race Law. Stud farms have been opened at Hailar and Taonan,

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and a program is under way to increase their number in the future.

As for the improvement of sheep, the authorities are planning to establish State sheep farms for securing 15,000,000 sheep of improved breed during the next five years.

4. Mining.

Manchoukuo produces gold ore, alluvial gold, iron, copper, lead, zinc, silver, iron, sulphide, coal, magnesite, oil shale, and other minerals which are almost indispensable to economic development and national defence. Of these, coal, iron, alluvial gold, magnesite and oil shale are the most important.

The total amount of coal mined annually in Manchoukuo is approximately 12,000,000 metric tons. At present the yearly output of the Fushun Collieries amounts to nearly 8,000,000 tons but commencing from the coming year the output will be increased (Refer to the pamphlet of the S.M.R.). Besides the famous Fushun Collieries are the coal fields of Hsinchiu which when exploited next year are expected to rival the Fushun mines in importance.

The Government issued a new mining law and related laws and orders on August 1, 1935, which were put into force on September 1, 1935.

The exploitation of mineral resources will be carried out in accordance with the following policies:

1) Coal mining will be controlled by the Government to secure rational exploitation, a cheap supply of fuel, the development of productive industries and increase in exports.

2) Special corporations of a semi-official nature will be formed for the investigation, management and exploitation of those mines which are essential to national defence.

3) The management and operation of State-owned gold ore and alluvial gold mines in certain designated areas in North Manchuria, will be entrusted to these special companies, while proper guidance and assistance will be given by the authorities in the development of private gold or alluvial gold mines.

With the foregoing policies in view, the Government is at present readjusting various mines and conducting surveys regarding the economic value and conditions of the mines. At the same time it has established the Manchuria Petroleum Co., the Manchuria Coal Mining Co., the Manchuria Gold Mining Co.,

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and the Manchuria Mining Development Co., to secure a rational management and development of the oil and mineral industries.

The Manchuria Mining Development Co., a special corporation, is authorized to operate in certain districts, for the time being, those mines which are considered especially important from the standpoint of national defence and national economy. Private interests will be also allowed to operate in these districts by signing special lease contracts with the Company.

The Government is considering the establishment of a gold refinery, a fuel research institute, a mineral laboratory, and a mineral products museum, all under State management, to assist and encourage private mining enterprises, secure gold markets so that their products may be turned into cash promptly, and in general to contribute to the development of the mining industries. As administrative organs for the development of mining, the Government has established Mining Inspectorates, one each at Mukden, Kirin, Chengtê and Tsitsihar.

5. *Salt Industry.*

The salt industry in Manchoukuo was unusually brisk in 1933 owing to the restoration of peace and order within the country and the increased export of salt to Japan for industrial purposes. The output of salt in 1932 was 3,700,856 piculs, in 1933 it was 5,273,216 piculs and in 1934, 2,804,463 piculs. Exports to Japan reach between 1,500,000 piculs to 2,000,000 piculs annually.

With the object of increasing the production of salt, improving its quality, and lowering its price, the authorities have stationed experts at various salt fields to undertake the improvement of the fields and the manufacturing process. At the same time, the Government is conducting an investigation of promising salt fields. Thus, it will not be difficult to double the present yield with a corresponding increase in exports before long.

6. *Manufacturing Industry.*

When the new State of Manchoukuo was founded, this vast territory was merely a raw-material suppying land. Ever since, however, various manufacturing companies have been established to promote the industrialization of the country. It is estimated that about 200 such companies, each with a capital of 100,000

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yen or more, have been established since the outbreak of the Manchurian Incident. Principal among them are the following:

1. The Showa Steel Works, established at Anshan with a capital of 100,000,000 yen, starting operations in March 1933.
2. The Manchuria Galvanized Iron Company, established at Anshan with a capital of 1,000,000 yen, in May 1933.
3. The Anshan Steel Works, established at Anshan in July 1934, with a capital of 5,000,000 yen.
4. The Sumitomo Steel Pipe Company of Manchuria, established at Anshan in September 1934, with a capital of 10,000,000 yen.
5. The Manchuria Steel Pipe Industrial Company, established at Anshan in July 1935, with a capital of 8,000,000 yen.
6. The Manchurian Roll Manufacturing Company, established at Anshan in September 1935, with a capital of 5,000,000 yen.
7. The Manchuria Arsenal Limited, established at Mukden in May 1934, with a capital of 3,000,000 yen.
8. The Manchuria Petroleum Company, established in February 1934, with its head office at Hsinking and refinery in Dairen, capitalized at 5,000,000 yen.
9. The Dowa Motor-Car Company, established at Mukden in March 1934, with a capital of 6,000,000 yen.

The Japan-Manchoukuo Magnesium Company and the Japan-Manchoukuo Aluminium Company, which were established in 1933 with a capital of 7,000,000 yen and 5,000,000 yen, respectively, are also expected to commence operations in the near future. In addition, the South Manchuria Railway Company has decided to establish soon a factory for coal liquefaction at Fushun with a fund of 13,000,000 yen. It is reported that the railway company has also decided to double the producing capacity of its shale oil mills which at present turn out 188,000 metric tons of crude oil and 18,000 metric tons of sulphuric ammonia.

Public attention in this connection is greatly centered on the Manchuria Chemical Industries Company and the Manchuria Soya Bean Industrial Company. The former was established at Dairen in May 1933, with a capital of 25,000,000 yen and commenced operations in April 1935, while the latter started operations in September 1934, two months after its establishment, being capitalized at 1,500,000 yen.

Operating on an extremely large scale, the Manchurian Chemi-

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cal Industries Company is expected to form the foundation of the rising aluminium industry and other branches of chemical industry. Its importance in relation to the exploitation of natural resources in Manchuria and Mongolia cannot be over-emphasized. The factory is capable of producing 200,000 tons, of sulphate of ammonia annually. The need for this particular kind of fertilizer in Manchuria is still only several hundred tons a year. Surplus stocks are for supply at a very moderate price to farm lands in Korea and along the coast of the Gulf of Pechili. In addition, the supply contributes materially to the solution of the national fertilizer problem in Japan.

The Manchurian Soya Bean Industrial Company is expected to revolutionize the bean oil industry which for years past in Manchuria has been the source of concern as to its future. The firm is now producing soya-lex and soya-lex oil, both of which are reputed to be of superior quality. The former is widely used as foodstuff and superior feed and the latter as cooking oil and material for the manufacture of paints.

Mention must also be made of four newly established companies which produce cement, an important material for construction works in Manchoukuo. These new companies together with three others previously organized, are credited with a total capacity of producing some 1,000,000 metric tons of cement. Thanks to these establishments, Manchoukuo fully expects to be able to export cement before long, while fully supplying domestic demands.

A description of the manufacturing industries in Manchoukuo will be incomplete without mention of the remarkable progress, registered in the industrial regions west of the S.M.R. zone at Mukden. Owing to the advantages of being located in the immediate neighborhood of the Fushun coal mine, which supplies cheap and abundant supplies of coal, as well as having exess to a limitless supply of excellent subterranean water and labor supply, Mukden is one of the most important industrial centers in Manchoukuo.

Before the Manchurian Incident, however, the exercise of the rights of Japanese to lease land necessary for erecting buildings for industrial purposes was obstructed by illegal measures put in force by the Chang regime, thus suppressing opportunities for Japanese industrial expansion. With the establishment of the new State, a

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new era suddenly dawned for Japanese industrialists. Factory quarters were set aside under a new plan for a greater Mukden. For the purpose of administering the new factory quarters, the Mukden Real Estate Co., capitalized at 2,500,000 yen, was organized and the designated industrial area handed over to it. The new firm immediately leased 245 acres. Factories of 35 companies, each with a capitalization of more than 100,000 yen and a combined capital of about 47,932,000 yen, sprung up like magic. Among them are the Nakayama Steel Manufacturing Co., Japan Paint Co., Manchou Pottery Co., Manchou Brewery Co., Manchou Leather Co., Kotoku Dyeing Co., Domestic Electric Appliances Manufacturing Co., Meiji Confectionary Co., etc.

7. *Domestic Trade*

In the statement on economic construction issued on March 1, 1933, the Government of Manchoukuo announced its intention to give "every assistance and encouragement to general commerce" and enhance its prosperity by securing smooth transactions and finding markets in all parts of the world.

Although internal trade in Manchoukuo, like in any other country, is of primary importance among economic activities the home consumption of goods and services by a population of over 32,000,000 requiring enormous expenditure of economic activity domestic trade in Manchoukuo is still in the early stages of development. It is only in the principal cities along the railways that trade is carried on by modern methods. In some remote regions the barter system is still in practice. This is due to three factors, namely, the lack of communication facilities, the infantile state of various industries, and the bitter experiences of the people from the reckless issuance of worthless paper notes by the former regime, which they were compelled to accept in payment for their farm products bought up by the official grain companies or agencies operated by the government. The interests of the farmers who comprised the bulk of the population, as well as of the merchants, were ignored, and their economic advancement was artificially frustrated.

There is still need of reorganizing and rationalizing the channels of transactions, and at the same time improving the various commercial organs. Stated in a more concrete manner, the municipal markets and the produce exchanges, as well as the

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traditional systems of management and organization of business houses—all must be altered along more rational lines; the warehousing and insurance businesses must also be developed, and the chambers of commerce placed under unified control in order to facilitate their activities. With these reforms in mind, the present Government is studying the question of revising the old laws governing exchanges, insurance business and chambers of commerce. Regulations governing the central wholesale market were issued in October, 1934.

8. *Trade Marks*

In September 1933, the Trade Mark Law and Detailed Regulations for the Enforcement of the Trade Mark Law were promulgated by the Manchoukuo Government. Since their enforcement on November 20 of the same year up to the end of June 1935, the Government had received a total of 17,000 applications for trade mark registration, which, classified according to the nationalities of the applicants, consisted chiefly of the following:

Manchoukuoan	329	Swiss	102
Japanese	13,299	French	306
German	1,194	Chinese	73
American	999	Italian	17
British	1,235	Canadian	11

The number of applications from nationals of countries which have not yet recognized the new State, is steadily increasing, but the Government does not make any discrimination between these applications and those of its own people and Japanese. In fact it recognizes the right of Britons and Germans to act as official agents through whom trade mark applications may be submitted to the Government.

On April 9, this year, the Manchoukuo Government promulgated the Patent and Design Law which came into force on June 1. The most noteworthy point of the law is that it is designed fully to guarantee all patent rights possessed by any foreign nationals if they are duly registered with the Patent and Design Bureau of Manchoukuo which was newly established at Hsinking simultaneously with the promulgation of the law.

9. *Weights and Measures.*

Various standards of weights and measures have been in use in

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Manchoukuo to the great inconvenience of dealers and customers alike. Generally speaking, they may be classified into Chinese, Japanese and Russian systems, the international metric, and the British "foot-pound" systems. Each has its own particular field of use, the Chinese system being employed among the Manchoukuoans and Chinese, the Japanese among the Japanese, the Russian among the Russian population, and the metric and the foot-pound standards among those having transactions with the South Manchuria Railway Co. In order to reform this confused state of affairs, the Manchoukuo Government adopted as a temporary measure a system of weights and measures based on the weights and measures generally used in the past, as the main system, and the metric system as a subsidiary system. The Government thus decided to propagate the use of the metric system and to adopt it as the only system of weights and measures in the future (Weights and Measures Law issued in January 1934).

In September 1935, a measurement law was enacted to unify all weights and measures which were excluded from the Weights and Measures Law of 1934.

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

CHAPTER VII

FOREIGN TRADE

1. *General Outline*

A review of the foreign trade of Manchoukuo reveals the fact that there was only a negligible amount of exports during the period between the end of the Russo-Japanese War and 1912, whereas imports, which chiefly consisted of daily necessities, far exceeded exports. With the start of the World War, however, the Manchurian soya bean, due to its unrivaled value as fodder for animals as well as an indispensable material for chemical industries engaged in manufacturing war supplies, suddenly found a wide market abroad. These shipments of soya beans abroad are

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being made by foreign firms as the East Asiatic Compary (L. Wassard & Co.), a great shipping, trading and industrial corporation with its head office in Copenhagen and, Louis Dreyfus & Co. side by side with the Japanese corporations, Mitsui and Mitsubishi Companies. As an obvious consequence, exports developed at a phenomenal pace. Although the termination of the War caused a temporary lull in the export trade, both exports and imports gradually increased until at the time of the Manchurian Incident, the former exceeded the latter by more than one hundred million silver dollars.

Since the establishment of Manchoukuo, however, imports have increased considerably due in the main to enormous construction activities in the new State. In 1933 imports again exceeded exports. Since then there has been an increased annual surplus of imports over exports. The most prominent feature of the recent trend of Manchoukuo's foreign trade is that most of the imports have been Japan-made products.

2. *Recent Trend of Manchoukuo's Forenign Trade*

The following tables show the interesting fact that Manchuria's exports and imports traced entirely different paths from each other.

TABLE 1–A

IMPORTS AND EXPORTS DURING THE 4 YEARS AFTER THE MANCHURIAN INCIDENT

(Unit: Manchoukuo Yuan)

	Export		Import		Balance on Export & Import
		%		%	
1932	618,156,837	100	337,672,748	100	(+) 280,484,089
1933	448,477,605	72.5	515,832,425	152.7	(−) 67,354,820
1934	448,426,567	72.5	593,562,248	175.78	(−) 145,135,681
1935	421,077,753	68.1	604,149,359	178.9	(−) 183,071,606

From the Monthly Statistical Report on Manchoukuo's Foreign Trade.

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TABLE 1-B

IMPORTS AND EXPORTS OF MANCHURIA DURING THE 6 YEARS PRIOR TO THE INCIDENT

(Unit: Manchoukuo Yuan)

	Export	Import	Balance on Export & Import	Total
1926	566,770,392	421,992,028	(+) 144,778,364	988,762,420
1927	626,002,224	409,245,433	(+) 216,756,791	1,035,247,657
1928	668,677,754	459,946,472	(+) 208,731,282	1,128,624,226
1929	659,682,350	502,948,051	(+) 156,734,299	1,162,630,401
1930	608,384,026	462,773,025	(+) 145,610,991	1,071,157,051
1931	739,271,685	341,599,692	(+) 397,671,993	1,080,871,377

From the Annual Statistical Report of Manchoukuo's Foreign Trade.
Remarks: (+) Indicates an excess of exports over imports.
(-) Indicates an excess of imports over exports.

Manchurian exports, from M¥ 618,000,000 in 1932, seriously declined in 1933 to M¥ 440,000,000 and in the years 1934 and 1935 continued to slide downward, the value of exports being M¥ 440,000,000 and M¥ 420,000,000, respectively.

Imports, however, M¥ 337,000,000 in value in 1932, suddenly soared to M¥ 515,000,000 in the year that followed. It continued to increase steadily to M¥ 593,000,000 in 1934 and to M¥ 604,000,000 in 1935. This striking growth in imports is readily seen if the value of imports for each of the four years is indicated by an index number as follows:

Years	Index
1932	100
1933	152
1934	175
1935	178

It was quite natural, following the establishment of Manchoukuo, that the annual excess of imports over exports prior to 1932 should be terminated and that for each succeeding year after 1932 for imports to exceed exports, the actual excess on a steady increase. Thus, the excess of imports over exports in 1933 was M¥ 67,000,000, in 1934 M¥ 145,000,000 and in 1935 M¥ 183,000,000. As a consequence, the Port of Dairen, which had been principally a port for exports, now has completely

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changed into an importing center.

Generally speaking, these contrasting trends in the development of the export and import trade are but a manifestation of the rapidly changing economic condition in Manchoukuo. It might be mentioned in passing, as a point of interest that the tempo of increase in the unfavorable trade balance somewhat lulled in 1935, which appears to suggest the approaching of a more balanced trade. The following is a more detailed description of imports into Manchuria during the last four years:

A. Imports

Imports from Japan increased as much as that from China decreased. Imports from the U.S.A., Germany and England also increased while imports from the U.S.S.R. showed a shrinkage. In other words, imports from Japan in 1932 aggregated M¥ 197,000,000 in value, leaping in 1933, 1934 and 1935 to M¥ 340,000,000, M¥ 408,000,000 and M¥ 456,000,000, respectively. Japan's position in Manchoukuo's column of foreign suppliers improved accordingly. Japan accounted for 58% of the total imports into Manchoukuo in 1932, increasing it to 65.8% in 1933, to 68.8% in 1934 and in 1935 to the high mark of 75.4%

TABLE 2

IMPORTS ACCORDING TO COUNTRIES

(Unit: M¥ 1,000,000)

Countries \ Years	1932		1933		1934		1935	
		%		%		%		%
Japan (including Korea)	197	58.4	340	65.8	408	68.8	456	75.4
China	61	18.1	80	15.5	57	9.6	32	5.29
U. S. A.	20	5.9	29	5.6	35	5.8	25	4.1
Germany	6	1.7	10	1.9	12	2.02	14	2.3
England	8	2.3	7	1.3	9	1.5	9	1.49
U. S. S. R.	7	2.0	7	1.3	5	0.8	1	0.16
Total (including Other Countries)	337		516		593		604	

From the Monthly Statistical Report on Manchoukuo's Foreign Trade.

While Japan gained, imports into Manchuria from China dwindled steadily, from about M¥ 60,000,000 in 1932 down to about M¥ 30,000,000 in 1935. Accordingly, China's percentage against Manchoukuo's total import fell from 18% in 1932 to 15%,

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9.6% and 5% in the ensuing years 1933, 1934, and 1935, respectively, thus approaching imports from the U.S.A., which is in third position as far as Manchoukuo's import trade is concerned. It is of special significance, as shown in the foregoing table, that the value of imports from China definitely declined, while imports from the U.S.A. and Germany increased noticeably, imports from England apparently not undergoing any change.

TABLE 3

CHINESE PRODUCTS IMPORTED INTO MANCHOUKUO

Articles	Average for 1930–1931	
	Value	Percentage
	Unit: 1,000 Haikwan Tael	
Cotton Piece Goods	17,292	26.7
Wheat Flour	8,165	12.6
Cotton Yarn	8,058	12.5
Cigarettes	4,869	7.5
Silk Piece Goods	2,906	4.5
Paper	2,310	3.6
Tea	2,004	3.1
Raw Cotton	1,904	2.9
Clothing & Accessories	1,208	1.9
Gunny Bags	568	0.9
Miscellaneous	15,569	23.9

From the Annual Statistical Report of Manchoukuo's Foreign Trade.

The country of origin of principal consumption materials imported into Manchoukuo, such as cotton piece goods, silk piece goods, wheat flour and paper, is now Japan instead of China.

As shown in the preceding table, the value of cotton piece goods imported from Japan increased from about M ¥30,000,000 in 1932 to about M ¥58,000,000 in 1933 and M ¥62,000,000 in 1934, and in 1935, the total for the first half of the year reached M ¥31,000,000 as compared with M ¥25,000,000 for the first half of 1934. Its percentages against the total value of imports also soared from 73% in 1932 to 84% in 1933, 91% in 1934 and 98% in the first half of 1935.

The reverse is the case for China. As the value dropped phenomenally, so the percentage shrank from 24% in 1932 to only 1% in the first half of 1935. The same is true of silk piece goods and paper, as Table 5 discloses.

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Articles	1932						1933			
	Total		Japan's Share		China's Share		Total		Japan's Share	
		%		%		%		%		%
Cotton Yarn . .	12,642	100	3,787	29.9	8,849	70.0	20,927	100	7,990	38.2
Cotton Piece Goods .	42,015	100	30,760	73.2	10,115	24.01	69,305	100	58,509	84.4
Silk Piece Goods .	4,551	100	2,280	50.1	2,188	48.1	8,128	100	4,305	53.0
Wheat Flour . .	32,259	100	19,932	61.8	10,066	31.2	58,679	100	33,870	57.7
Tea	2,810	100	325	11.6	2,421	86.2	3,312	100	546	16.5
Tobacco . . .	9,495	100	686	7.28	5,249	55.3	11,268	100	1,246	11.1
Paper	7,651	100	4,489	58.7	2,462	32.2	10,013	100	6,594	65.9

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TABLE 4

RELATION BETWEEN JAPAN AND CHINA AS SEEN FROM CHIEF CONSUMPTION MATERIALS IMPORTED INTO MANCHOUKUO

(Unit: M, ¥ 1,000)

Articles	1932					1933					1934					First half of 1934					First half of 1935				
	Total		Japan's Share		China's Share	Total		Japan's Share		China's Share	Total		Japan's Share		China's Share	Total		Japan's Share		China's Share	Total		Japan's Share		China's Share	
		%		%			%		%			%		%			%		%			%		%	
Cotton Yarn	12,642	100	3,787	29.9	8,849	20,927	100	7,990	38.2	12,938	61.8	12,533	100	5,438	43.4	7,055	56.3	4,173	100	2,501	59.9	1,628	39.0	5,610	100	3,555	63.4	2,055	36.6
Cotton Piece Goods	42,015	100	30,760	73.2	10,115	69,305	100	58,509	84.4	10,091	14.6	68,055	100	62,384	91.7	5,222	7.7	27,718	100	25,398	91.6	1,945	7.0	31,836	100	31,339	98.4	428	1.0
Silk Piece Goods	4,551	100	2,280	50.1	2,188	8,128	100	4,305	53.0	3,731	45.9	10,942	100	9,520	87.0	1,384	12.7	4,284	100	3,671	81.0	784	18.4	8,255	100	8,043	96.9	239	2.7
Wheat Flour	32,259	100	19,932	61.8	10,066	58,679	100	33,870	57.7	18,024	30.7	57,059	100	28,637	50.2	6,575	11.5	24,663	100	13,639	55.2	2,132	8.6	32,800	100	20,333	61.9	95	0.2
Tea	2,810	100	325	11.6	2,421	3,312	100	546	16.5	2,681	80.9	3,025	100	859	28.4	2,084	68.9	818	100	267	32.6	524	64.0	1,074	100	378	35.1	657	61.1
Tobacco	9,495	100	686	7.28	5,249	11,268	100	1,246	11.1	2,946	26.1	11,308	100	(992)	8.8	(5,922)	52.4	4,445	100	(425)	9.5	(1,570)	35.3	3,510	100	(306)	8.4	(957)	27.2
Paper	7,651	100	4,489	58.7	2,462	10,013	100	6,594	65.9	2,960	29.6	12,139	100	9,521	78.4	2,075	17.1	5,214	100	4,318	82.8	689	13.2	5,771	100	5,004	88.4	399	6.9

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As for wheat flour, although imports from China decreased rapidly until for the first half of 1935 the percentage was but .02, imports from Japan did not increase noticeably. The reason is that Australian wheat flour found its way into Manchoukuo due to a sudden fall in its market price. At any rate, Chinese flour died a forced death as a result of too keen a competition.

The fundamental reason for the crushing defeat suffered by Chinese commodities on the Manchoukuo market may be attributed to the following factors :

a) As Chinese commodities, following the transfer of the customs from China to Manchoukuo, are treated as foreign products, they have to compete with Japanese products on an equal footing.

b) Due to the fact that the Chinese Government has not yet recognized Manchoukuo, she imposes export duties on commodities destined to Manchoukuo as well as levying duties on Machine-made goods of foreign designs, thus considerably reducing the competitive power of Chinese products.

B. Export

It has already been pointed out that exports from Manchoukuo have marked a steady decline in contrast to her imports. Taking 100 as the index for the value of exports in 1932, the record would be 72, 72 and 68 for 1933, 1934 and 1935, respectively. This unfavorable trend can be accounted for by the fact that exports of agricultural produce, comprising the major portion of the export total, have been greatly reduced due chiefly to the world

TABLE 5

MANCHOUKUO'S EXPORTS ACCORDING TO COUNTRIES
(Unit: M. ¥ 1,000,000)

Countries \ Years	1932		1933		1934		1935	
		%		%		%		%
Japan	236	38.1	210	46.8	218	48.6	216	51.3
China	183	29.6	71	15.8	65	14.5	65	15.4
Germany	74	11.9	66	14.7	53	11.8	32	7.6
England	11	1.7	8	1.7	16	3.5	24	5.7
U. S. A.	5	0.8	7	1.5	6	1.3	15	3.5
Holland	6	0.9	6	1.3	8	1.7	10	2.3
U. S. S. R.	34	5.5	13	2.9	8	1.7	4	0.9
Total (including other countries)	618		448		448		421	

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wide crisis obtaining in agriculture.

According to Table 5 given below, in which Manchoukuo exports are arranged by countries of destination, Japan's position may be seen promoted with surprising rapidity during the last few years. Exports to Japan, which accounted for only 38% of the total Manchoukuo exports in 1932, increased to 46% in 1933, 48% in 1934 finally to 51% in 1935, over one half of the total.

It is noteworthy, however, that not withstanding this promotion of Japan's position, the value of exports actually decreased. The elevation in position was not absolute but merely relative to the general shrinkage of exports at large.

The decline in Manchurian exports to such big customers of former years as China, Germany and U.S.S.R. is amazing. As is indicated in the foregoing table, the percentage of exports to China fell from 29% in 1932 to 15% in 1935, that to Germany from 11% to 7% and that to the U.S.S.R. from 5% to more 0.9%, which is next to nothing. As far as value is concerned, exports to China, during the three years between 1932 and 1935, have decreased by two-thirds, those to Germany by one-half and those to the U.S.S.R. by seven-eights. On the contrary, exports to England, the U.S.A. and the Netherlands have steadily improved, but owing to the smallness in absolute value, they could hardly retrieve the lapse in exports as a whole.

Most of Manchoukuo's exports consist in agricultural produce and their by-products, as indicated in Table 6. Chief commodities exported are either agricultural produce and its manufactures or raw materials for industries. As has been mentioned previously Manchoukuo possesses vast tracts of arable land. Thus in the future she will flourish into a prosperous agricultural Nation whose necessary manufactured goods may be imported from industrial Japan in return for the raw material with which she furnishes that country. Under this principle the adolescent Empire of Manchoukuo will be able to grow up without experiencing the social evils and the sanitary drawbacks that are prevalent in the industrial countries of the world.

That the value of exports to Japan has somewhat shrunk has already been mentioned. With regard to the quantity, it may be noticed that the export of commodities to be used in Japan as materials for her industries (soya beans, peanuts, hemp seeds and perilla seeds as oil producers, and coal, shale oil, pig iron, salt,

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TABLE 8–A

MANCHOUKUO'S PRINCIPAL ARTICLES EXPORTED ABROAD

(Unit: M. ¥)

Articles \ Years	1932	%	1933	%	1934	%	1935	%
Soya bean	225,114,465	100	169,095,488	72	160,348,746	71	130,053,055	58
Other beans	11,512,816	100	9,180,185	80	9,993,577	97	13,055,930	113
Buckwheat	2,868,266	100	3,222,612	112	4,251,198	148	2,494,433	87
Kaoliang	28,401,908	100	7,215,389	25	7,310,645	26	3,993,135	14
Maize	5,142,010	100	3,319,490	65	5,016,061	98	1,470,218	29
Bean cake	103,445,766	100	57,614,313	56	51,508,798	50	51,370,086	50
Bean oil	38,238,031	100	18,472,607	48	16,262,187	43	20,132,208	50
Peanut	8,435,498	100	8,826,350	105	14,129,008	167	15,140,649	179
Hemp seed	2,631,775	100	3,052,666	117	4,410,253	108	5,648,588	216
Perilla seed	2,618,056	100	3,051,312	117	4,152,603	159	7,533,082	288
Coal	50,863,497	100	47,201,710	93	41,955,600	82	40,473,980	80
Shale oil	1,322,070	100	1,295,718	98	963,978	73	1,278,885	97
Tussah silk	10,017,320	100	9,565,278	95	7,408,875	74	7,278,999	73
Cotton yarn	8,202,956	100	6,999,467	85	6,136,108	75	5,623,860	69
Pig iron	15,069,524	100	10,446,543	69	10,380,305	69	10,329,457	68
Ammonia sulphate	1,569,638	100	1,756,591	111	1,717,696	109	6,051,084	386
Salt	7,554,616	100	3,582,315	47	5,438,114	72	4,663,349	59

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TABLE 8–B

QUANTITIES OF EXPORTS OF MANCHOUKUO'S PRINCIPAL PRODUCTS

Articles \ Years	1932	%	1933	%	1934	%	1935	%
Soya bean (Unit=piculs)	42,536,118	100	39,111,529	92	41,308,789	97	29,203,888	69
Other beans „	1,601,706	100	1,530,758	96	2,161,663	135	2,647,852	165
Buckwheat „	503,493	100	539,533	107	855,946	150	444,760	88
Kaoliang „	6,186,363	100	2,565,867	41	3,333,038	54	1,186,274	19
Maize „	1,180,248	100	1,162,917	99	2,056,292	174	549,901	46
Bean cake „	23,518,462	100	17,788,439	76	20,380,045	87	16,925,382	72
Bean oil „	2,120,502	100	1,342,266	63	1,608,975	76	1,499,085	70
Peanut „	698,525	100	912,837	131	1,562,933	224	1,717,097	246
Hemp seed „	547,319	100	542,601	99	1,078,299	197	1,512,237	276
Perilla seed „	372,709	100	439,870	118	533,389	143	1,056,827	284
Coal (Unit=tons)	3,774,021	100	4,537,769	121	4,302,722	114	4,182,276	111
Shale oil „	40,315	100	50,422	125	39,934	99	52,916	131
Tussah silk (Unit=Kin)	2,391,600	100	2,647,232	111	2,411,066	101	2,271,014	95
Cotton yarn(Unit=piculs)	108,741	100	93,248	86	81,069	75	71,541	66
Pig iron „	6,100,149	100	8,124,905	133	7,281,597	119	7,152,822	117
Ammonia Sulphate „	469,040	100	557,833	119	475,099	101	1,642,336	350

One M. Ton=16.51 piculs.
From the Monthly Statistical Report of Foreign Trade.

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dolomite, magnesite, paraffin, talc, soap-stone and ammonia sulphate as materials for industries manufacturing war supplies) has shown a marked growth. On the other hand, the export of kaoliang and maize fell precipitately in 1930. In the meanwhile, native manufactuted products such as bean cakes, bean oil, cotton yarn and tussah silk either have been nearly unchanged or slightly decreased in amounts exported to Japan. All in all, therefore, the export of materials for Japanese industries has steadily increased while exports of the agricultural produce and the native manufactured products have either remained stationary or have decreased.

Finally, n examination of Manchoukuo's export situation with China reveals the fact that soya beans, bean cakes, and bean oil occupy 49.1% of Manchoukuo's total exports to China, and if coal is added, they represent a percentage of approximately 63%. Articles exported to China are principally of two categories, namely, foodstuffs (soya beans bean oil, kaoliang, peanuts, salt, etc.) and raw materials for industries (coal, tussah silk, lumber, pig iron, bean cake, etc.—though the last mentioned is used mainly as fertilizer and animal fodder.)

TABLE 9

CHIEF PRODUCTS EXPORTED TO CHINA

Articles	Average of 1930–1931	
	Value	Percentage
	Unit: 1,000 Haikwan Tael	
Soya bean	28,498	23.2
Bean cake	19,648	16.0
Coal	16,790	13.7
Bean oil	12,202	9.9
Kaoliang	6,129	5.0
Tussah silk	3,529	2.9
Peanut	3,117	2.5
Lumber	2,711	2.2
Salt	2,128	1.7
Pig iron	1,406	1.2
Miscellaneous	26,665	21.7

From the Annual Statistical Report on Manchoukuo's Foreign Trade.

Since 1931, although the export of such comparatively insignificant articles as maize and millet has shown an increase, that of

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TABLE 10

MANCHOUKUO EXPORTS TO CHINA ACCORDING TO YEARS

Unit: Value = M. ¥ 1,000
Quantity = 1,000 piculs except coal whose unit is 1,000 tons

Articles	1931				1932				1933				1934			
	Quantity		Value		Quantity		Value		Quantity		Value		Quantity		Value	
		%		%		%		%		%		%		%		%
Soya bean . .	8,803	100	57,370	100	7,247	82.3	45,140	78.6	1,711	19.3	7,807	11.8	2,580	29.1	9,031	15.7
Bean oil . .	1,629	100	30,729	100	1,509	92.6	27,137	88.3	755	46.3	10,519	34.2	527	32.3	4,792	15.5
Maize . .	335	100	1,530	100	603	180.0	2,696	176.7	533	159.1	1,409	92.0	767	228.9	1,950	129.4
Kaoliang . .	2,665	100	13,272	100	3,806	142.8	17,818	134.2	1,295	48.5	3,812	28.7	1,596	59.1	3,839	28.9
Millet . .	36	100	248	100	71	194.4	489	197.1	110	305.5	498	200.8	238	661.1	1,063	428.6
Bean cake . .	7,793	100	37,946	100	7,913	101.5	38,531	101.0	3,860	49.5	12,976	34.1	3,011	37.3	7,474	19.7
Coal . . .	1,959	100	27,374	100	739	37.7	10,091	36.8	716	36.5	7,322	26.7	416	21.2	3,777	13.7
Lumber . .	—	—	5,175	100	—	—	4,178	80.7	—	—	2,140	41.3	—	—	2,271	43.8
Tussah silk .	10	100	5,370	100	2	20.0	650	12.1	—	—	188	3.5	—	—	734	13.6

From the Annual Report on Manchoukuo's Foreign Trade, etc.

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the more important ones such as soya beans, bean cake, bean oil, coal and lumber has been seriously set back both in value and quantity. For example, soya beans have dropped from 100 (index number) in 1931 to only 15 in 1934 in the value of exports and to 29 in 1934 as to quantity. In the same manner, bean oil has decreased during the same period in value from 100 to 10 and in quantity to 32, and bean cakes to 19 in value and 37 in quantity. Lumber, tussah silk and coal similarly decreased, much worse in the case of coal, due chiefly to the higher taxation imposed on it since the establishment of Manchoukuo.

This remarkable shrinkage can be attributed without doubt to the following causes:

a) Critically crippled economic conditions in China.
b) The prohibitive high tariff wall set up by China in order partly to save Nanking's finance.

CHAPTER VIII

COMMUNICATIONS AND TRANSPORTATION

The Government of Manchoukuo entrusted the management and operation of all Government railways to the South Manchuria Railway Company on and from March 1, 1933, and the latter organized the General Direction, which to-day manages and operates all the Government railways, most of the bus lines and river navigation systems. The North Manchuria Railway, which was transferred to Manchoukuo, was also placed under the management of the Company. Under such an arrangement, railway services throughout Manchuria are being steadily systematized by the Company.

1. Railways

Railways in Manchoukuo comprise the State railways, now extending 7,135 km. (including 1,700 km. of the North Manchuria Railway lines), the South Manchuria Railway, 1,114 km. (including the S.M.R. in the Kwantung Leased Territory), and private railways extending 343 km., totalling 8,592 km., in length. At the end of 1931, shortly before the founding of Manchoukuo, the total length of all railways in Manchuria was 6,042 km. or in other words 2,550 km. less than the present length. Of the State

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railways the following were constructed since March 1. 1932:

1.	Bet.	Taian-Koshan	101.5 km.
2.	„	Tailun-Peian	112.8
3.	„	Laha-Noho	38.8
4.	„	Tunhua-Tumen	189.9
5.	„	Chaoyangchuan-Kaishantun	60.6
6.	„	Lafa-Pinchiang	272.0
7.	„	Hsiaokutun-Hsinchan	9.0
8.	„	Sankoshu-Hsinsungpu	6.9
9.	„	Sankoshu-Matou	3.5
10.	„	Chinglingssu-Lingyuan	156.7
11.	„	Lingyuan-Pingchuan	87.2
12.	„	Tumen-Mutanchiang	248.7
13.	„	Mutanchiang-Poli	196.2
14.	„	Linkou-Mishan	170.9
15.	„	Hsinking-Paichengtsu	332.6
16.	„	Wangyehmiao-Solun	107.9
17.	„	Solun-Wenchuan	227.6
18.	„	Peian-Heiho	302.9
19.	„	Yuki-Rashin	15.2
20.	„	Yehpaishou-Chihfeng	152.0
21.	„	Ssupingkai-Hsian	82.5
22.	„	Heiho-Heiho Matou	6.2
		TOTAL	2,881.6

2. Motor bus service

In a new country like Manchoukuo, railways need to be supplemented by bus lines. Recently, with the construction of new highways, the motor bus business has expanded enormously.

The total length of railways in Manchoukuo is at the present time 8,592 kilometers, excluding those under construction, upon completion of which the grand total will reach 10,134 kilometers.

The General Direction of Manchoukuo State Railways now operates some 15 bus lines covering slightly over 5,000 kilometres with over 400 buses and 700 employees. The details of the lines as of June 1, 1936, are as follows:

BUS LINES IN MANCHURIA

Lines	Opening Date	Kilometres
Jehol Lines	1933–35	1,223
a. Peipiao-Chengte	1933	320
b. Chaoyang-Chihfeng	1933	190
c. Chengte-Chihfeng	1933	265

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d. Chaoyang-Chaoyangchan	1933		4
e. Lingyuan-Lingyuanchan	1934		4
f. Chihfeng-Linhsi	1934		210
g. Chengte-Fengning	1935		100
h. Weichang-Tolun	1935		130
Antung-Chengtzutan Lines . . .	1935	296	
a. Antung-Chengtzutan	1934		214
b. Fenghuangcheng-Huangtukan	1934		82
Shanchengchen-Tunghua Line .	1934	145	
Mukden-Fushun Line	1934	56	
Haicheng-Newchuang Line. . .	1934	25	
Tunhua-Hailin Lines	1933–34	370	
a. Tunhua-Hailin	1933–34		230
b. Ningan-Mutanchiang	1934		40
c. Hailin-Mutanchiang	1934		20
d. Omu-Mahao	1934		80
Hsinking-Taonan Lines . . .	1934	398	
a. Hsinking-Fuyu	1934		166
b. Talai-Howafan	1934		73
c. Talai-Taonan	1934		159
Noho-Heiho Lines	1934	360	
a. Noho-Aigun	1934		297
b. Noho-Fuhsi	1934		30
c. Aigun-Heiho	1934		33
Hsinmin-Changwu Line . . .	1935	62	
Mukden-Kangping Line . . .	1935	119	
Hsinking-Kirin Line	1935	126	
East Manchuria Lines	1934–35	162	
a. Hunchun-Hunghsinchen	1934		100
b. Suifenho-Hungning	1934		62
Hsingan Lines	1834–35	789	
a. Wangyehmiao-Hailar	1934–35		547
b. Taonan-Tuchuan	1934		107
c. Heiho-Hantachi & Branch	1935		137
Tsitsihar-Kannan Line	1935	107	
Harbin-Tungchiang Lines . . .	1933–35	916	
a. Harbin-Tungchiang	1934		636
b. Chiamussu-Poli	1935		160
c. Fuchin-Paoching	1935		120
GRAND TOTAL		5,152	

All bus services along railway lines or running parallel to such lines, and others over routes which will later become railways, as well as those which play an important role in the opening up of

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undeveloped regions and in the maintenance of peace and order, and which are not paying propositions, are managed by the State through the General Direction of State Railways as a subsidiary business. Other bus lines, however, are left to private management.

3. River Navigation

River navigation under the former regime in Manchuria was operated by various organizations and left much to be desired. Cut-throat competition among individual ship-owners had made the situation still worse, tantamount to being suicidal to all concerned. On April 1, 1934 the General Direction amalgamated all these organizations into one by creating the Harbin Navigation Association, controlled by the Harbin Direction for Navigation which was simultaneously established at Harbin.

Important rivers along which the association operates its vessels are the Sungari, Amur, Liao, Nonni, and Yalu, having the following routes :

Harbin-Fuchin	614 km.
Harbin-Heiho via Fuchin	1,418 „
Heiho-Moho	827 „
Moho-Kilarin	623 „
Harbin-Hulin	1,286 „
Hulin-Lungwangmiao	286 „
Hulin-Mishan	350 „
Harbin-Chiangchiao	503 „
Harbin-Kirin	738 „
TOTAL	6,645 km.

For the purpose of regulating shipping on the rivers in Manchoukuo, the Government has promulgated the River Shipping Law, in addition to establishing navigationbureau, in Harbin, Yingkow and Antung for the administration of matters relating to water courses, harbors, shipping, and water transportation in general. The Yingkow Navigation Bureau in January 1934, took over the Liao River Conservancy Board, which had up till then been operating independently of the Government. This action was taken in view of the difficulties the Board was encountering in carrying out its projects owing to a lack of funds.

Steamers and sailing boats operating under the Manchoukuo flag at the end of September 1935 numbered as follows :

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Registered at Harbin :
116 steamers, 50,893 tons ;
284 "pachuan" boats, 76,405 tons ;
107 sailing boats, 3,630 tons.
Registered at Yingkow :
58 steamers, 19,875 tons ;
245 sailing boats, 6,987 tons.
Registered at Antung :
13 steamers, 630 tons :
105 sailing boats, 2,597 tons.

4. *State Highways.*

Quite as fundamental as railways and waterways, especially in these days of extensive motor traffic, is a good road system and in this regard Manchoukuo's efforts, and accomplishments cannot be passed over unnoticed.

On March 3, 1933, the Bureau of State Highways was established to undertake the building of national highways. In Hsinking, Mukden and Tsitsihar local state highway construction offices were opened and each was entrusted with the construction of State roads within its territory. The Bureau has spent so far M¥ 15, 600,000 for building and improving roads.

By the end of June, 1935, a total of 58 State highways extending 5,471.4 km. were completed. If finished sections of the other uncompleted highways are added the total length would reach 6,378 km.

With the object of contributing to the maintenance of public peace, and also facilitating local administration, as well as assisting in the economic development of the country, the State Highways Bureau at the outset drew up a road construction program calling for the completion of 60,000 km. of new highways during the next ten years.

The Highways Bureau's building program includes the following :

A.	First class roads (connecting the capital with chief cities or ports)	12,500 km.
B.	Second class roads (between chief cities) . .	12,500 „
C.	Third class roads (between hsiens) . . .	35,000 „

The progress of the road construction program is contributing

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greatly to the restoration of peace and order, and to the development of communications and the improvement of economic conditions. The building of these new highways has enabled motor cars to penetrate into even the remotest parts of the country which could hardly be traversed in the past.

5. Civil Aviation

Civil aviation, recognized for its economic importance in the transportation of passengers and supplies to the remote sections of Manchoukuo, has made rapid strides since the advent of the new State. At present there are 11 regular air routes, stretching some 6,500 km., operated by the Manchuria Air Transport Company which was established in October 1932, with a capital of M¥3,580,000. Aviation in Manchoukuo is favored by the vastness of territory and suitable climatic and topographic conditions.

The air routes are as follows :

1. Dairen-Mukden-Hsinking-Harbin
2. Harbin-Tsitsihar-Hailar-Manchouli
3. Tsitsihar-Nonkiang-Taheiho
4. Harbin-Peianchen-Taheiho
5. Harbin-Ilan-Chiamussu-Fushin
6. Hsinking-Mutanchiang-Poli-Chiamussa
7. Hsinking-Chengchiatun-Tungliao-Kailu-Linhsi-Chihfeng-Chaoyang-Chinchow
8. Mukden-Chinchow-Shanhaikwan
9. Hsinking-Kirin-Yenki-Seishin
10. Mukden-Huanjen-Tunghua
11. Mukden-Shingishu

The M.A.T. Company's lines are connected with the Japan Air Transport Company's Tokyo-Dairen line.

6. Postal Administration, Telephones and Telegraphs

Postal services are under the direction of the Department of Communications. Manchoukuo now has 374 post offices and 765 postal agencies, as compared with 283 and 720, respectively, in March 1932. Since July 1932, postal charges for both domestic and foreign mails have been reduced. Postal savings which were stared in May 1933, totalled M¥4,276,786.78 at the end of May 1936. Postal Money orders may now be exchanged be-

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tween Manchoukuo and Japan, as well as China, Germany, the Dutch Indies, Poland, Switzerland, Hongkong and the Netherlands. Ordinary mail between Manchoukuo and China are now exchanged without trouble, while an international postal air service has also been inaugurated.

Telegraph and telephone enterprises were amalgamated in August 1933 into the Manchuria Telephone and Telegraph Company, a Manchoukuo-Japanese joint enterprise with a capital of M ¥50,000,000. This step was taken to unify and develop electric communication enterprises in the country. Since its establishment the new Company has instituted various improvements in its services, inaugurating an international wireless telephone service with Japan and a wireless telegraph service with France.

Telegraph and telephone offices throughout the country now total 401, twice the number recorded at the time Manchoukuo was founded.

A 100-kw. broadcasting station, one of the largest in the Far East, was opened in Hsinking in November 1934, while the stations at Harbin and Mukden were reorganized to meet the new requirements.

CHAPTER IX

CITY CONSTRUCTION WORKS

Hsinking, the Capital

Hsinking, the capital of Manchoukuo, has within the brief period of four years, grown from a railway junction town into a fast expanding thriving city with a population of over 240,000. Prior to the establishment of the new State the population had remained stationary at about 130,000.

The capital is in Kirin Province, 702 km. north of Dairen. It is the termini of four railways, the South Manchuria Railway, the southern section of the North Manchuria Railway, the Hsinking-Tumen line and the Hsinking-Taoan line. Before the founding of the new State, the city was known as Changchun. Its area, inclusive of the S.M.R. Zone, the Open Mart, the native town and Kuanchengtze, was then 21 sq. km. Today owing to the rapid

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expansion of the city, its area, including, the new first-stage construction zone, is 200 sq. km. The population is rapidly increasing, and is expected to exceed 300,000 by the time of the completion of the first-stage construction works in 1937, and surpass the half-million mark when the second and third stage projects are finished.

The city is shaped in a rectangular form. Of the total area, 100 sq. km. has been set aside for construction projects for the time being. The area is divided into residential, business, industrial, special districts, etc., as follows : (Official permission is necessary for constructing any establishment within these districts.)

1.	For Government buildings	6.5 sq. km.
2.	For streets, roads, etc	21.0 „ „
3.	For public use	3.5 „ „
4.	For parks, grounds, etc.	7.0 „ „
5.	For military purposes	9.0 „ „
6.	For residences	27.0 „ „
7.	For commercial district	8.0 „ „
8.	For industrial district	6.0 „ „
9.	For miscellaneous purposes	10.0 „ „
10.	For special districts (vegetables, domestic beasts, etc.)	2.0 „ „
		100.0 „ „

There are seven highways connecting Hsinking with the other parts of the country as follows :

Hsinking-Nungan-Fuyu	160 km.
Hsinking-Huaite-Kungchuling	100 „
Hsinking-Mukden via Kungchuling	270 „
Hsinking-Itung	72 „
Hsinking-Shuangyang	50 „
Hsinking-Kirin via Tapinling	114 „
Hsinking-Harbin via Yaomen	235 „

The streets in the new construction area are of three kinds, namely, trunk (26 to 60 metres wide), branch (10 to 18 metres wide), and auxiliary (less than 10 meters wide). Both the trunk and branch streets have a section for motor traffic at the centre, with roads for slow vehicles on both sides of it, and sidewalks on the outside for pedestrians. Four rows of trees will enhance the appearance of the streets. The erection of poles for overhead telephone, telegraph and electric wires will be forbidden, all wires

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being hidden underground. The streets will be built in such a way as to combine the best features of the radiating, square and circular systems of street construction.

Anticipating that the population of this new area will eventually reach half a million, the Capital Construction Bureau has built a huge reservoir in the basins of Hsiao and Tai Rivers, tributaries of the Itung River, for supplying water to the capital. The reservior, which is one of the largest in the Far East, is filled with rain water and water obtained by damming the two tributaries. It holds 27,700,000 cubic metres of water and will be capable of supplying over 40,000 tons daily, which will be more than enough to meet the needs of a population of 500,000. Work on this reservoir was completed in October 1935, one year and a half after it was started.

An up-to-date sewer system is also being built as part of the capital construction program. Already 151,290 metres of sewer pipes have been laid in the new area.

Parks will occupy 7% of the total area of the capital, and in this respect Hsinking will compare favourably with the capitals of other countries, (London 9%, Tokyo 2.8% and Berlin 2%). Tatung is one of the major parks. Its construction is nearly finished and is expected to be opened shortly. It is a marine park and is bound to be appreciated by the residents of Hsinking who live far from open waters. There are two other principal parks, Paishan and Tutan. They are to be opened by the end of this year. Plans are to make Shüntien Park the biggest and to include thick forests.

Besides constructing many parks, the authorities intend to make a wooded city of the capital. They have not only prohibited the cutting or removing of trees growing withing the area designated for the capital but have planted a considerable number of trees in the district.

The main traffic facility in Hsinking to-day is an auto bus service system which is operated by the Hsinking Urban and Interurban Traffic Co. The working mileage of the bus lines extends 213 kilometers as auxiliary traffic organs are droshky and rickshaw convenience. The fact that potentialities of tramcars are by no means bright in modern metropolises has already been proved. Tramcars are therefore eliminated from the town-planning program of Hsinking. Simultaneously with the execution of its progressive plans this new capital, which was born in the

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middle of twentieth century, is advancing its program with due consideration of the failures and success that the older cities of the world have hitherto experienced.

In the vicinity of the parks are projected a national museum, a huge public library, a public auditorium, botanical gardens and a zoo. Athletic fields, a horse race course and golf links have been already completed. Since 1932 to the end of November 1935, the Capital Construction Bureau expended a total sum of MY 19,458,460.31 and when the present projects are completed, Hsinking will no doubt rank as one of the leading modern cities in the Far East.

Mukden

Mukden is one of the leading cities in Manchoukuo. Its population is 420,000. It is the economic centre of the country. Before Hsinking was chosen as Manchoukuo's capital, Mukden was the political centre of the country. With the removal of the seat of Government to Hsinking, Mukden lost its importance as the leading political centre, but its importance as an industrial city has not diminished. Along with the rise of industries, the city is ever expanding as a market, and the business turnover has shown a considerable increase. For details see " Manufacturing Industries," VI Economic and Industrial Conditions.

In July 1933, the municipality appointed a special committee for the elaboration of a plan for the construction of a greater Mukden. The present city, which covers an area of 28 square kilometers, will be increased 178 square kilometers by the inclusion of suburban districts and is to be made into a city whose total area will be 206 square kilometers. The city will be divided into the business, factory, residential and special quarters. Present plans include the construction of extensive parks in Peiling and Wanliuta for for recreational purposes. For the supply of city water, an aqueduct is under construction at a cost of 800,000 yen. The sewage system in the new town has already been completed. A good water supply is provided by the subterranean water.

Harbin

Harbin is the largest city in Manchoukuo, with a population of some 500,000. It is situated on the Sungari River. By rail it is connected with Vladivostok in the east and with European Russia

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on the west. Harbin is the terminus for five railway lines in North Manchoukuo, the so-called Granary of the Empire. With favored communication facilities, on both land and water, the city has become the most important distributing center in North Manchoukuo.

If the population continues increasing at its present rate of 20,000 a year, it is estimated that in less than thirty years it will surpass one million. Construction plans for the city, therefore, have been influenced by the possibility of an enormous increase in population. According to present plans, the area of the city is to be extended to about three times its present size, that is from about 80 square kilometers to 250 square kilometers.

The new city will be divided into three quarters, business, industrial and residential. The whole plan will be executed in 30 consecutive years, beginning in 1933.

About thirty years old at the time of the Russo-Japanese War, Harbin was the main foothold for the imperialistic Russian policy of aggression which was then in full swing.

After the Russian Revolution, however, with the gradual downfall of Russian influence, the Chinese increasingly found their way into Harbin and laid a firm foundation of what is now the flourishing business district called Fuchiaton.

Just as South Manchuria owes a great deal of its development to the untiring effort and leadership of the Japanese, due credit for the development and the subsequent prosperity of Harbin must be given to the Russians.

Harbin is also a picturesque place with roomy streets, an abundance of verdurous trees and a refreshing restfulness about the residential district and the Sungari water front.

Construction works are also progressing rapidly in the other principal cities such as Kirin, Chinchow and Tsitsihar, as well as in the newly-risen towns along the new railway lines. In these municipalities, however, construction works are undertaken by the local governments.

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CHAPTER X

EDUCATION

1. General

Public education in Manchoukuo, except in the Hsingan Provinces, comes under the juridiction of the Department of Education. In the Hsingan Provinces, education, although in accordance with the policy outlined by the Department of Education, is governed by the Department of Mongolia Administration with a view to giving the people special care and attention.

The Government of Manchoukuo has since the fiscal year 1933–34 appropriated an comparatively large funds for the education of its people. Efforts are centered at present on primary education. Plans call for a number of a new primary schools to be built.

Work in this field is being organized into three departments, namely, academic education, social education and cultural work. The primary object of the department of academic education is character building, with the principle of equal opportunity for all as the foundation of the whole educational system. In place of anti-foreignisms the former regime fostered, the idea of "Wangtao" is now inculcated in the minds of the children. Compilation of new text-books is progressing rapidly and in most of the schools new text-books are already in use. Practical vocational training is another important work assigned to the schools.

2. Schools

A. Primary schools now number roughly 13,000, with an enrollment of 770,000 pupils and 24,265 teachers. Each primary school is divided into lower (4 yr.), and upper (2 yr.) divisions. Efforts are being made to increase these institutions gradually and also to improve the quality of teachers.

B. Middle schools number 162 for boys and 40 for girls. Students total 28,866 and teachers 1,884. Lower and upper middle school course each run for three years.

C. Vocational education is offered at most of the upper middle schools but in addition there are also independent vocational schools (3 yr.-course) which number 28, with 2,602 students and 227 teachers.

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D. Normal-school training. Importance is attached to the train ing of good teachers for which reason a higher normal school was established in Kirin in September 1934. Besides, there are some 100 ordinary normal schools and other teachers training institutes.

3. Colleges and Others Maintained by Japanese

Educational institutions owned and supervised by Japanese through the medium of the Kwantung Government and the South Manchuria Railway continue to play an important role in the country. Started some thirty years ago these educational institutiohs supervised by the two organs have increased rapidly in the Japanese administrative regions, consisting of the Kwantung Leased Territory and the South Manchuria Railway Zone. The institutions are divided broadly into two classifications. (1) schools for Japanese and (2) schools for Manchurians. The number of schools for Japanese in the Kwantung Leased Territory and the South Manchuria Railway Zone at the end of 1935 included 71 primary schools and 9 middle schools. There are also 4 girls' high schools in the Leased Territory and 6 in the S.M.R. Zone. In addition, there are two commercial schools, one established at Dairen in 1910 by the Oriental Association of Tokyo and the Dairen Municipality, and the other at Hsinking in 1920 by the South Manchuria Railway Company.

Besides primary and middle schools, the Japanese administration has established a few specialized institutions, principal among them being the following :

Manchuria Medical College : Established at Mukden by the South Manchuria Railway Company in June 1911, for Japanese and Manchurian Railway in June 1911, for Japanese and Manchurian students.

Port Arthur Engineering College : Formerly Port Arthur Engineering School. Elevated to college status in August, 1922.

Harbin Gakuin : Formerly Russo-Japanese Association School, established in 1920 at Harbin by the late Count Goto.

South Manchuria Technical College : Established in Dairen. Formerly known as the South Manchuria Technical School and now elevated to college status.

Industrial Training Schools : Established at Fushun and Penhsihu.

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CHAPTER XI

CONDITIONS IN MONGOLIA

The Hsingan Provinces in the northwestern section of Manchoukuo differ from the other provinces of the country in various respects. Mongolians form the predominant element of the inhabitants. For administrative purposes Hsingan is divided into four provinces, known as the North, South, East and West Hsingan provinces. These in turn are divided into banners, which correspond to the hsien (district) in the other provinces. Historically, Mongolia has enjoyed a peculiar administrative system since the time of the Ching dynasty. The Manchoukuo Government, due to the relatively backward conditions and decidedly different manners and customs of the Mongols, established the separate Department of Mongolia Administration in Hsinking known till December 1934 as the General Administrative Office of Hsingan Province, as the central administrative organ for the four provinces. Each of the four provinces has a provincial office with a governor who is under the direct control of the Minister of Mongolia Administration, as well as a garrison commander. The Department also exercises jurisdiction over Mongols residing in other provinces.

The combined area of the four Hsingan provinces is approximately 384,600 square kilometers, making up about a quarter of the total area of Manchoukuo, and rougly corresponding to that of Japan proper.

The population of Hsingan province, though an official census has never been taken, is estimated at 772,700. Leaving out the "White" Russian population in North Hsingan of about 6,000 the Mongols dominate the Manchus 6 to 4. The former mostly live on the steppes, as may be expected of the pastoral people that they have always been, and the latter are found in urban districts, as is natural with those who have always been engaged in commercial and agricultural pursuits.

The policy of the Manchoukuo Government concerning the Hsingan Provinces is to administer the territory subject to such local modifications as circumstances may require, giving a system of government most suited to the backward Mongols with the view to improving their standard of living.

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Stock-raising and agriculture are the chief industries of these Provinces. Sheep raising is an important occupation of the people. Salt and sodium carbonate are produced in fairly large quantities. Oil, flour, ceramic and woolen industries also exist, but they are as yet conducted on a small scale. The Provinces have promising deposits of gold, coal and the rivers abound in fish. Exten- sive forests cover the Great Hsingan Mountain region.

Lama-Buddhism is everywhere the popular religion. The customs and manners of the various banners are on the whole similar, although in those parts which have been developed by Chinese, the Mongols have been assimilated by the Chinese and have adopted customs and manners very similar to those of the latter. The staple food of the people consists of milk, mutton, millet, other cereals, wheat flour and noodle. Dried cattle dung is used for fuel.

As the primary occupation of the Mongols is herding, their villages are small and generally consist of a collection of 20 or 30 tents (paos) typical of Mongolia. Owing to the inroad of civilization, however, many of them are adopting modern ways of living and building houses for fixed abode.

Under the former regime the Mongols were despised and treated as an inferior race both by the National Government of China and the then Manchurian authorities, and subjected to all forms of political and economic oppression. Officials took advantage of their lack of education and their lower social position to exploit them at every opportunity. Under the circumstances there was constant friction between them and the Chinese.

With the founding of the new State, however, all this has been changed. The authorities are at present making serious efforts to educate the people (Hsingan Academy to train Mongol youths in technical, indusrtial and other arts has already been founded) and to devolop industrial resources for the welfare of all. The Mongols have been given an important role in the task of founding an ideal State based on harmony among the five races of Manchuria. With the increased responsibilities thrust upon them, the Mongols are awakening, and their future presents an ever brightening picture.

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