

JAPAN IN MANCHURIA

II

NORMAN READDY

CHAPTER 4 JAPAN AND EQUAL OPPORTUNITY IN MANCHURIA

The Open Door principle of equal opportunity apparently means that there should be in China no discrimination based on nationality in regard to railway rates, navigation dues, or tariff charges, and that no nation should obtain within specific areas general preferential or exclusive rights with reference to mining, railway construction or other opportunities of economic exploitation. Even supposing that the granting by China of specific economic concessions to nationals of particular Powers was considered permissible, the granting of concessions to them was not based or urged upon the ground that because of their nationalities they should have a preferential or exclusive right to obtain the concessions.

In the case of Japan, the principle of equal opportunity which she had repeatedly declared in various treaties and agreements since 1899 had been blatantly violated. Immediately following the Russo-Japanese War, Japan, who had vowed to uphold the principle of the Open Door, suddenly changed her attitude and sought to obtain, and, to a considerable degree, succeeded, in obtaining by definite treaties or agreements, the preferential or exclusive rights of railways and mining exploitation in Manchuria. It is interesting to contrast what Japan had done since the Russo-Japanese War to uphold the pledge of "the principle of equal opportunity for commerce and industry of all nations in China" contained in the Anglo-Japanese Treaty of Alliance of 1902, the renewals of the Anglo-Japanese Alliance of 1905 and 1911, the Portsmouth Peace Treaty of 1905, the Root-Takahira Agreement of 1908, the Lansing-Ishii Agreement of 1917 and the Nine-Power Treaty of 1922.

In the Portsmouth Peace Treaty of September 5, 1905, Russia and Japan declared that "they had not in Manchuria any territorial advantages or preferential or exclusive concessions in impairment of Chinese sovereignty or inconsistent with the principle of equal opportunity." Further, they both agreed "not to obstruct any general measures common to all countries, which China might take for the development of the commerce and industry of Manchuria."⁶⁹ Nevertheless, Japan claimed and exercised to the Harriman international proposal of 1905, the Hsinmintun-Fakumen railway of 1907, the Knox neutralization plan of 1909 and the Chinchow-Aigun project of 1909 the exclusive right to veto the building of other railway lines which

she might deem either parallel to her South Manchurian Railway or prejudicial to her commercial, strategic or political interests in Manchuria. The Open Door was definitely shut as far as railways were concerned. It is glaringly obvious that Japan claimed preferential and exclusive rights in Manchurian railway development and mining exploitation, such as her stipulation that no lines be built parallel to the South Manchurian Railway or branch lines be built which might prove prejudicial to its interest. Further, her insistence that China first apply to Japan should foreign capital be required for extensions or branch lines, to give preference to materials and supplies of Japanese origin, and to approach Japanese capitalists first should funds be required for railways, forestry, mines and other loan purposes, can only be taken as direct violation of the Open Door principle. Moreover, under the treaties and notes of 1915 based upon the Twenty-One Demands, Japan claimed preferential and even exclusive rights with regard to the building of railways in Manchuria and the making of loans secured by local revenues of that country. Also in 1915 she wrung from China the promise that if advisers or instructors on political, military, financial or police matters were needed, Japanese should be employed first. Under pressure from the Powers at the Washington Conference of 1921-22, Japan promised to give up these preferential rights. But almost immediately thereafter, the concessions were regained. Japan's claim for the exclusion of Manchuria and Mongolia from the scope of the Consortium of 1912 compelled the United States to withdraw from it in 1913 when President Wilson declared, "Our interests are those of the open door a door of friendship and mutual advantage. This is the only door we care to enter." Japan's claims to "special interests" in Manchuria were not only entirely inconsistent with the spirit of the Open Door as stipulated in various treaties to which she was a party, but also with the United States' interpretation of Japan's "special interests" which had not any political implication.

In the light of the foregoing, we can definitely state that Japan's general policy in Manchuria was directed toward the

⁶⁹ MacMurray. *op. cit.*, p. 522.

creation of a monopolistic or exclusive situation. Although this policy could be defended somewhat on the grounds that it had the support of treaties and agreements, it was still in spirit not only antagonistic to the Open Door Doctrine, but also contradictory to Japan's own declaration in the Treaty of Portsmouth.

Russia's brief occupation of Manchuria was, by all accounts, an economically benevolent domination, whereas Japan took everything of value, railways, mines, forests, etc. and established a semi-government monopoly to exploit them on behalf of Japanese interests only. Russia had, indeed, crudely tried to exclude other Powers, but it was Japan, while paying lip service to the Open Door policy and taking advantage of her political supremacy, set up traffic preferences, monopolies, and obstructed all but Japanese enterprises. As a result, frequent charges were made by other foreign Powers that the principal of equal opportunity was being violated and the door was being closed to all other foreigners in Manchuria. It is however, generally acknowledged that the Japanese did not need any discrimination in their favour and their best interests would have been served by the introduction of foreign capital. The more goods that were imported the greater would be the traffic receipts of the South Manchurian Railway, while any improvement in the economic life of Manchuria would result in increased purchases of Japanese goods which could be introduced into Manchuria much cheaper than those imported from Europe and the United States.

The beginning of Japan's direct commercial activities in Manchuria began even before the ending of the Russo-Japanese War. During this war, thousands of Japanese immigrants and commercial agents came tramping on the heels of the Japanese armies. Immediately after the war the Japanese government began a systematic policy of introducing, encouraging and assisting their people in Manchuria, while obstacles were placed in the way of non-Japanese wishing to enter that country. The result was that the Japanese and their shipping and trading companies secured a monopoly of the Manchurian trade; whereas the trade of European and American nations had to suffer from a government-backed Japanese trade monopoly. The shipping companies, the South Manchurian Railway, the Mitsui Bussan Kaisha and the Yokohama Specie Bank all of which the Japanese Government was financially allied with, became the great instruments for the consolidation of the industrial and commercial exploitation of the Japanese in Manchuria. Special rates by sea and on railways, special facilities for handling goods, and special rates on interest on loans were extended to the Japanese. A great aid to Japan's trade was, as the *Far Eastern Review* remarked, "the economic paternalism of the Japanese Government which takes the shape of subsidies to steamship lines and the provision of cheap capital to merchants."⁷⁰ Assistance was also given freely to Japanese firms by the Japanese semi-official banks in Manchuria. With reference to matters directly involving the Japanese Government, J.E. Orchard wrote:

"While many Japanese traders come to Manchuria on their

initiative and operated independently, a majority of those now there really are agents of large Japanese commercial firms, which are backed by the Government. As a rule, these small traders have not the means to emigrate, or to purchase and import stocks of merchandise. As I have shown, the Government has often provided them with means for getting into Manchuria. But while this assistance of the Government is given the outward form of an endeavour to help Japanese of all classes to make a beginning in a new country, it really is, when analyzed, a scheme to aid big Japanese corporations associated with the Government to exploit Manchuria. ... The Mitsui Bussan Kaisha, entrusted by the Government and guilds with supervision of the exploitation scheme in Manchuria, had established itself there before the war; almost immediately after the armies dislodged the Russians, it took steps to extend its relations. The company now covers Manchuria with a web of branch houses and minor agents, which work hand in glove with the Japanese authorities, and are abetted and supported by them on every possible occasion and in every practical way. It is impossible, in any intelligent estimation of forces at work there, to ignore or minimize the relation between the Japanese Government and leading Japanese financial, industrial and commercial enterprises, which frequently are so close as to almost make them identical".⁷¹

In examining matters which bore upon the Japanese policy of trade exclusion and discrimination in Manchuria, we find that Japanese goods shipped over her railways in Manchuria were either free or given special rates, while other foreign traders had to pay to the full. In view of the volume of complaints against this practice, the Japanese Government abolished the rebate system in 1909.

During the Japanese military regime in Manchuria after the Russo-Japanese War it was notorious that foreign goods other than Japanese had great difficulty in getting transportation on any terms, and often practically were refused transportation on the excuse that cars were not available, or were subjected to such delays that shippers and consignees were seriously handicapped. Owing to the mounting number of complaints, these discriminatory practices were later abandoned for more subtle methods.

Both Britain and the United States recognized the importance of attempting to support their nationals in a country from which Japan was bent on excluding them. The British Vice-Consulate at Antung had long been closed, and in March of 1915 the United States withdrew its consular representation at Newchang. Negotiations on Japanese discriminatory methods continued through 1915, and on January 25, 1916 the American Secretary of State wrote to Ambassador Guthrie in Tokyo:

..... The Railway Administration (South Manchuria Railway Co.) has several times altered the conditions under

⁷⁰ *Far Eastern Review*, Vol. XI (May, 1915) p. 488.

⁷¹ J.E. Orchard. *Japan's Economic Position*. New York. McGraw-Hill. 1930. pp. 226-227.

which the reduced rates will be granted.

At first they were made available for specific goods shipped from Japan. To obtain these special rates, American goods would have to be shipped via Japan. Subsequently, after objection made by various interests, the special rates were made applicable to goods in vessels of certain Japanese lines. This being equally objectionable and not in harmony with the agreements into which Japan has entered for the preservation of equality and opportunity, it is now sought to make the enjoyment of reduced rates a matter of special contract the approval of which by this Government would apparently make it a party to the discrimination.

You are instructed to bring the matter once more to the attention of the Foreign Office and point out that, in view of this Government, the right of American goods to receive the reduced rates cannot be made to depend upon the route of shipment, the nationality of the importing vessel nor upon the signature by shipping companies of a contract with the railway, granting preferential rates....⁷²

Although later Japan slightly changed her attitude of discriminatory competition, she still enjoyed considerable advantage in goods transportation facilities both by land and sea, notwithstanding the special rates for conveyance from Japan by subsidized shipping lines being recognized as somewhat legitimate. However, the Japanese goods which entered other countries where Japan was not entitled to preferential treatment should be transported and marketed under the same conditions as other foreign goods. So in Manchuria other trading nations had a right to insist that Japanese railways should afford equal facilities to shippers regardless of nationality, and that they should not be permitted to establish a transportation monopoly under cover of which subtle forms of discrimination could easily be practiced. Mainly in order to reply to the charges on Japanese freight rate discrimination in Manchuria, Japan exchanged the aforementioned Root-Takahira Notes with the United States on November 30, 1908 to ensure the principal of equal opportunity in Manchuria. But no sooner had she exchanged the notes than she went back into her previous discriminatory attitude.

As we are aware, the South Manchurian Railway was a governmental monopolistic instrument of Japanese penetration and exploitation in Manchuria. The South Manchurian Railway was originally a branch line of the Chinese Eastern Railway built by Tsarist Russia in her drive toward a warm-water port on the Pacific. It was claimed that the concession of the C.E.R with its branch of the S.M.R was obtained by Russia from the Peking Government by bribing the old emissary, Li Hung-chang, when he was in Moscow in 1886 attending the coronation of Tzar Nicholas II. The Japanese considered this Russian railway thrust into South Manchuria as "a dagger pointing at the heart of Japan" They therefore launched a war on Russia shortly after the completion of the railway and Japan, as soon as she obtained possession of the line, "reversed the dagger" so that its handle was grasped by the Kwangtung Army and pointed northward to Changchun on the border of

the Russian sphere, of influence. Japan then proceeded to develop the South Manchurian Railway as an instrument of her own policy of penetration and exploitation. Immediately following the Portsmouth Peace Conference, Japan borrowed large sums of money in Great Britain which was used ostensibly for the South Manchurian Railway, but in actual fact, aided Japan greatly in the development of her imperial interests operated by the Railway Company and resulted in a monopoly and competition against other foreign interests in Manchuria. The United States, who had assisted in bringing about peace between Japan and Russia and thereby saving Japan from threatened bankruptcy, was only rewarded by contracts for railway equipment, paid for out of the British loan. The results of British loans to Japan is amply commented on by Mr. L. Lawton who wrote:

..... At present we are pursuing a shortsighted policy inasmuch as we are actually financing the Japanese in their commercial campaign against ourselves. So long as they are able to obtain money at a low rate of interest to be applied for the purpose of bringing in a high return through the medium of business concerns established on the spot, so long will we be hopelessly handicapped, the surplus from war funds borrowed in England enabled the Japanese Government to invest in the South Manchurian Railway. Debentures floated in this country have resulted in the expansion of that great corporation at the expense of private enterprise. Although the Japanese Government denies that it lends money at a low rate of interest to Japanese traders in Manchuria, it cannot truthfully refute the statement that indirectly it provides them with the necessary financial assistance.

Another example of the means resorted to by the Japanese in order to finance themselves is to be found in the debenture loan floated in London on behalf of the Industrial Bank. The money so obtained at comparatively low interest was used to stimulate Japanese activities in Korea, and it also enabled the bank to support various enterprises of a nature likely to compete with British effort. It must be remembered that whether or not money is lent to Japan specifically for purposes in Manchuria, the effect of its employment in any other direction must to some extent affect our interests in Manchuria. Japan is the base and Korea the advanced base for the commercial attack upon Manchuria. The Japanese are not themselves astute enough to conceal their financial strategy. "There is no reason to be discouraged over the shortness of money in Manchuria," wrote the Jiji Shimpō, an influential organ. "Our credit is fortunately high in foreign markets, and capital can be borrowed at low rates." The only way to meet Japanese competition effectively is to stop the supply of cheap money. The nation is spending the price of its own activities upon armaments, and meanwhile depending upon foreign funds

⁷² U.S. Department of State *U.S. Foreign Relations*, 1916. p. 447.

for the expansion of trade and industry.⁷³

The South Manchurian Railway Company resembles in many ways the British East India Company, which was largely responsible for bringing India, the Straits Settlement and other Asiatic territories into the British Empire. The S.M.R.C. was empowered by the Japanese Government to carry on various affiliated enterprises, such as, marine transportation, operation of electric light and power plants, gas works, warehousing and docking, operation of tourist hotels⁷⁴ and restaurants and the control of the so-called railway "Zone" on each side of the railway track, including numerous Chinese cities, towns and villages. The administration of the "Zone" included monopolistic dealings in real estate, land and buildings, development of Japanese concessions, industries, mines, forests, etc. Finally, the key to the currency system in Manchuria was held by the Yokohama Specie Bank and the Bank of Chosen. They assumed predominance among elements which operated to Japan's advantage in her commercial exploitation of Manchuria.

Before 1931, owing to its rapid colonization, Manchuria's external trade with China proper and other foreign countries had increased greatly with the years. In 1900 Manchuria

scarcely appeared in records of world trade. Its needs were few, its contributions less. However, within thirty years it had built up a large volume of international trade and continued to progress until the world economic depression in 1930. During this year, foreign trade suffered a considerable reversal, but trade with China proper continued to advance. Beginning from 1909 with the exception of the three years after the revolution of 1911 and two years immediately preceding World War I, Manchuria enjoyed a persistently, and on the whole, progressively, favourable balance of trade, averaging about 120 million silver dollars for the years 1920-1929, and reaching a maximum of 386 million silver dollars in 1931 due to the good harvest of that year and the fall in the value of silver. However, this favourable balance of trade took a distinct turn for the worse since 1932 and the establishment of "Manchukuo." In terms of visible imports and exports, Manchuria had a larger debit than credit.

⁷³ Lawton. *L. Empires of the Far East* (2 vols; London: G. Richards, Ltd., 1912) pp. 1271-1272.

⁷⁴ The "Yamato Hotel" chain.

CHAPTER 5 FOREIGN INTERESTS IN MANCHURIA

Prior to the establishment of Manchukuo the chief customers of Manchuria in, say, 1929, were, in their order of importance, Japan, China proper, the U.S.S.R., the Netherlands, the United Kingdom, the U.S.A., Germany, Belgium and Denmark; its chief suppliers were Japan, the U.S.A., the U.S.S.R., Germany, Belgium, the Netherlands and Denmark. The U.S.S.R.'s position is certainly overrated as most of the goods exported from Manchuria to the U.S.S.R. were actually destined for Japan, it is only because they were transhipped through Vladivostok that they were recorded as having come from or were destined for the U.S.S.R. Germany was grossly understated as a buyer of Manchurian goods, she being the largest soya-bean customer in the world⁷⁵.

Japan was unquestionably Manchuria's best customer and chief supplier, however, China proper came to the fore to rival her so closely until the Manchurian Incident of 1931. For a quarter of a century Japan had dominated the import and export field in Manchuria. Since 1908 her trade had increased eightfold, as against a fivefold increase for the United States and Russia. Japan possessed ninety per cent of the external trade of Manchuria in 1908 and fifty-six per cent in 1927.

In 1927, the ratio of Japanese trade with Manchuria compared with that for all of China was 56 to 40. Since the establishment of the puppet state of "Manchukuo" Japan's trade with Manchuria increased by leaps and bounds, particularly in the field of Manchurian imports, while the trade of other foreign countries had practically faded out. Trade followed the flag. One need only to take the experience of Korea

to appreciate the meaning of the Open Door as existing in Manchuria. The following Tables of export from Manchuria and imports to that country speak for themselves.

Table I

Distribution of Manchurian Exports
according to Destination
(in percentages)

Year 19 -	1928 - 1935							(7 years)	
	28	29	30	31	32	33	34	34	35
China Proper	21	17	23	30	28	12	15	13	14
Japan	29	32	30	34	32	41	39	31	43
Korea	9	7	9	5	7	7	10	19	9
Germany	—	—	1	1	12	16	12	11	8
U.S.S.R.	18	10	13	10	6	3	2	3	1
England	3	5	3	4	2	2	4	2	5
U.S.A.	2	3	2	1	1	2	1	1	4
Hong Kong	2	2	2	2	1	2	2	1	2
Netherlands	4	7	9	8	1	1	2	2	3
East Indies	2	2	2	1	1	1	—	—	—
Other countries	10	15	6	4	9	13	13	14	11
Total:	100	100	100	100	100	100	100	100	100

⁷⁵ E.L. Presseisen. op. cit., p. 79. It seems that German industry had found various uses for this agricultural product and consequently purchased large quantities.

Table II

Distribution of Manchurian Exports
according to Origin
1928 - 1935 (in percentages)

(7 years)

Year 19 -	28	29	30	31	32	33	34	34	35
China Proper	21	23	25	27	18	16	10	8	4.5
Japan	37	40	36	40	54	61	65	64	72.0
Korea	2	2	3	3	4	5	4	5	4.0
U.S.S.R.	9	5	5	7	2	2	1	1	—
U.S.A.	7	8	7	6	6	6	6	8	5.0
Hong Kong	4	4	4	4	3	2	1	—	—
Germany	3	3	4	2	2	2	2	2	3.0
England	2	3	4	2	2	1	2	2	2.0
Others	15	12	12	9	9	5	9	10	9.5
Total:	100	100	100	100	100	100	100	100	100.0

In fact, the growth of Chinese industries in China proper resulted till 1931 in a growing trade connection between China proper and Manchuria. Thus Manchuria's exports from China proper went up from 21 per cent in 1928 to 27 per cent in 1931 and its exports to the latter increased from 21 per cent to 30 per cent. Indeed the rate of increase was faster than that of the trade between Manchuria and Japan a fact which the Japanese had watched with considerable misgivings on the eve of their military coup of September 18, 1931. The Japanese invasion cut that development short. Through the erection of a tariff wall between China proper and the lost Provinces plus the systematic monopolization of the Manchurian Market, Japan succeeded in whittling down China's exports to Manchuria to a pathetic level. China's exports to her lost Provinces in the first seven months of 1935 amounted to a mere 4.5 per cent. The goods exported were cotton piece goods, cotton yarn, wheat flour, tobacco and cigarettes. Thus to China, the loss of Manchuria was not only a loss of territory and population, but also a loss of a very important market for her young industry. Further, the tariff was a double-edged sword that cut both ways. Manchuria had also lost China proper as a market for her products. For, under the circumstances, China was obliged to levy duties on goods coming from her lost Provinces. Thus Manchuria's exports to China proper had fallen from 213 million silver dollars in 1931 to 65 million silver dollars in 1934 while her imports from the latter had fallen from 111 million silver dollars in 1930 to 58 million silver dollars in 1934. The fall was to continue unabated, while Japan shown an amazing increase in both imports and exports with Manchuria.

The increase of Manchuria's imports since 1931 had been the result of two factors: the investment of Japanese capital largely in the construction of strategic railways and the growth of a special purchasing class, made up of Japanese officers and troops, officials, advisers, traders and profiteers. The purchasing power of the Manchurian masses consequently diminished and imports for their consumption decreased. Although the

Japanese were wont to say that Manchuria is necessary for their country on account of its raw materials, it was, in fact, of greater importance as an outlet for Japanese manufacturers. The following table of percentage relations leaves no doubt as to which country profited by the shift in the balance of trade between the two countries:⁷⁶

Table III

The Part Played by Manchuria (including Kwangtung) in the Foreign
Trade of Japan Proper, 1928-1935
(in percentages)

(7 years)

Year 19 -	28	29	30	31	32	33	34	34	35
Japan's imports from Manchuria	10	10	11	11	9	9	8	9.4	7.0
Japan's exports to Manchuria	9	9	8	6	10	16	19	17.5	17.6

The cause of this change may be accounted for by the decline of Manchuria's trade with China proper and other powers and the great inflow of capital and goods from Japan.

Trade handled by the Japanese was organized to a high degree and the control over the freight rates on Manchurian railways was also in Japanese hands. Before 1931 an important role had been played by Harbin, a Russo-Chinese centre, and Newchang (Yinkou), a Chinese port. After 1931, through the manipulation of freight rates and the closing of through traffic from Harbin to Vladivostok, the Japanese succeeded in diverting the flow of trade increasing at Harbin. The part played by Harbin gradually diminished almost to vanishing point: from 10 per cent to 1 per cent in exports and from 7 per cent to 0.9 per cent in imports. Similarly the part played by Newchang diminished from 19 per cent to 8.7 per cent in exports and from 14 per cent to 3.3 per cent in imports. Further, large Chinese companies in Manchuria were gradually being ruined while other foreign concerns were threatened with withdrawal at any moment. The Japanese monopoly system was established to control all enterprises at the expense of other foreign interests. And it was further announced by the Japanese that facilities for industry and commerce were only to be afforded to nationals of those states which had recognized "Manchukuo". It was China who stood to suffer most under the new regime, economically as well as territorially. In 1930 her trade with Manchuria was estimated at 201,831,636 Taels, showing a fivefold increase in twenty years and ranking next in importance to that of Japan. However, since September of 1931, the Chinese were treated as aliens in Manchuria, and their trade had been subject to the same kind of discrimination which had practically killed it under Soviet Russia's auspices in Outer Mongolia.

⁷⁶ A.J. Grajdanzex, *The External Trade of Manchuria, 1928-1935* Nankai Social and Economic Quarterly, Vol. CLII. Nov., 1936. pp. 854-852. (Tables 1 and 2 also from the same journal)

The Japanese were unquestionably the largest foreign investors in Manchuria. Their investments consisted chiefly in the South Manchurian Railway and its numerous subsidiaries; in banks, trading organizations, mines, forests, agricultural projects, numerous factories, public utilities, shipping and forwarding companies, financial and produce exchanges, bean and flour mills and educational institutions. The Japanese likewise had made a number of loans to the Chinese. The bulk of their investment was in the Leased Territories and the Railway "Zone." On the eve of the Manchurian Incident the Japanese claimed a total investment in Manchuria of over ¥1,700,000,000 inclusive of over ¥100,000,000 in public and private loans to the Chinese Government and to Chinese individuals."

Next in importance to the Japanese came the Russian investments. These consisted of the Chinese Eastern Railway (in which the Chinese had certain rights in management and earnings, as well as purchase and reversionary rights); an official Soviet bank (Dalbank) with branches; marketing, buying and service organizations; and a number of small establishments owned by Soviet citizens. The Chinese Eastern Railway was usually appraised at a figure ranging from 400 million roubles to over one billion, but no estimates of any kind are available for the other interests.⁷⁸ "White" Russian investment in Manchuria was fairly substantial, but for the most part consisted of numerous small shops and factories, some of which were operated jointly with Chinese. Some few "White" Russians had also been operating big timber, mining and agricultural projects, but usually along with Chinese officials acting either in their public or private capacity.

Among other foreign investments in Manchuria, the British were most important, followed by the Americans, then Germans and French, and after these, Scandinavian countries and Czechoslovakia.

The British investments were chiefly in the form of a small interest in the Peiping-Mukden Railway (Peiping-Liaoning Railway), and about twenty-five important establishments, among which the branches of two large banks (Hong Kong and Shanghai Banking Corporation and Chartered Bank of India, Australia and China), a tobacco company (British-American Tobacco Co.), an oil distributing organization (Asiatic Petroleum Co.), several large import-export houses and a few shipping agencies were the most important. Later, the British also owned a substantial amount of securities in Japanese enterprises in Manchuria.

The American investments in Manchuria were estimated at about four and one-half million gold dollars. These were centered largely around Harbin, the investments around Dairen and Mukden aggregated about only one-third of the total. The chief American organizations in Manchuria were two large oil companies (Standard-Vacuum Oil Co. and Texas Oil Co.), several branches of a large bank (National City Bank of New York), automobile and machinery distributors, a large agricultural equipment concern, a few import-export houses and insurance and shipping agencies.

The German interests were comparatively slight,⁷⁹ and consisted only of a dozen or so firms. Like the Americans, the Germans did most of their business in North Manchuria. The most important organizations were two large importers of technical and electrical equipment and a variety of German manufacturers, one exporter of Manchurian staples, some shipping insurance and brokerage agencies, and an engineering firm.

French interests were also slight, and were likewise found chiefly in North Manchuria. They consisted of several import-export firms, an engineering firm, branches of a saving society, a telephone company, and several smaller organizations. The exporters dealt largely in Manchurian staples, notably soya bean and its derivatives, and the importers of liquors, perfumes, drugs, machinery and technical equipment and other French specialties.

The Swedish investments consisted of match factories located at Kirin, Changchun and Mukden. With the exception of one of the factories, they were registered as Japanese companies and employed Japanese managers, however they were controlled by Swedish interests.

The Danish and Norwegian interests consisted chiefly of import-export concerns handling a small amount of machinery and a very substantial amount of soy bean and its derivatives.

The Czechoslovak investments in Manchuria were relatively small and consisted essentially of one large importing firm which specialized in machinery ranging from arsenal equipment to locomotives, cranes and aeroplanes. Czechoslovaks likewise owned a few small breweries, alcohol distilleries and shops. Most of the Czechoslovak investments were in the form of unliquidated credits granted to Chinese railways, transport societies and private persons. The total Czechoslovak investments were estimated at U.S.\$1,300,000 of which \$750,000 consisted of outstanding accounts.

Polish Italian Latvian Lithuanian, Estonian and Dutch investments were likewise found in Manchuria (chiefly in the north), but were so comparatively insignificant as to be unconsidered.

The Manchuria Year Book, 1932-1933 edited and published by the East-Asiatic Economic Investigation Bureau, Tokyo, contained a variety of charts, tables and diagrams related to foreign investment in Manchuria. However, the figures should be accepted with the greatest reserve as the statistical data concerning foreign companies (other than Japanese) are unreliable and inadequate.

Suffice to say that, since the establishment of "Manchukuo," all foreign countries other than Japan had gradually withdrawn their interests in Manchuria (one should say, forced to

⁷⁷ League of Nations, *op. cit.*, p. 207.

⁷⁸ League of Nations, *op. cit.*, p. 207.

⁷⁹ However, after German recognition of Manchukuo in Feb. 1938, a new trade pact with Manchukuo was signed at Hsinking in September, 1938 which increased the volume of business to 100 million yuan. Germany was to buy Manchurian products to the amount of 163 million yuan, and Manchuria to buy German products to the amount of 63 million yuan.

withdraw). On the other hand, Japan's investments in Manchukuo increased sharply. Below is given the figures of Japanese capital investment in Manchuria since the establishment of "Manchukuo" according to a memorandum submitted in 1935 by the Japanese Minister of Finance to the Budget Committee of the House of Representatives.

Table IV

Japanese Capital Investment in Manchuria
since the Establishment of Manchukuo

1932	1933	1934	Total
¥119,000,000	¥118,000,000	¥244,000,000	¥481,000,000

The withdrawal of foreign (other than Japanese) capital may be seen from the following comparative figures in Table V showing the investments as they stood, respectively, at the end of 1930 and 1935.

Table V

Investments of Foreign Countries
(Excluding Japan) in Manchuria,
1930 and 1935

	Jan. 1, 1930	Jan. 1, 1936
U.S.S.R.	¥590,000,000	¥ 8,332,000
Britain	¥330,000,000	¥18,019,000
U.S.A.	¥ 26,000,000	¥ 9,290,000
France	¥ 22,000,000	¥ 2,730,000
Sweden and Denmark	¥ 1,200,000	¥ 3,105,000
Total:	¥672,200,000	¥41,476,000

Although the foreign (other than Japanese) interests, as figures went, were comparatively small, they had a bigger significance than the amount would indicate. However, what I am trying to emphasize here is that their withdrawal meant that the Open Door was written off once and for all.

It was after the Russo-Japanese War that Japan claimed to possess "special rights" or "special interests" for herself in Manchuria. Meanwhile she tried every means in her power to obtain from Russia, France, Great Britain and the United States an international recognition for her "special interests" in Manchuria which would be in opposition to the Open Door policy, however, her efforts did not meet with permanent success. It was not until the Washington Conference that Japan seemed to have formally abrogated any claim to an interest which would impair the sovereignty, the independence and the territorial and administrative integrity of China, and also defy equal opportunity for the commerce and industry of all nations throughout the territory of China.

With regard to Japan's claim to a "special position" in Manchuria, the Lytton Report states that "the Japanese use of this expression in diplomatic language should be obscure," and that "other states should have found it difficult, if not impossible, to recognize it by international instruments." The Report states further that Japan's claim to a "special position" in Manchuria had conflicted

..... with the sovereign rights of China and is irreconcilable with the aspirations of the Nanking Government which seeks to curtail exceptional rights and privileges of foreign States throughout China and to prevent their further extension in the future.⁸⁰

The Lytton Report further stated:

The Japanese Government since the Russo-Japanese War has at various times sought to obtain from Russia, France, the United Kingdom and the United States of America recognition of their country's "special position," "special influence and interest," or "paramount interest" in Manchuria. These efforts have only met with partial success, and, where recognition of such claims have been accorded, in more or less definite terms, the international agreements or understandings containing them have largely disappeared with the passage of time, either by formal abrogation or otherwise as for example: the Russo-Japanese secret Conventions of 1907, 1910, 1912 and 1915, made with the former Tsarist Government of Russia; the Anglo-Japanese Conventions of Alliance, Guarantee and Declaration of Policies; and the Lansing-Ishii Exchange of Notes of 1917. The signatories of the Nine-Power Treaty of the Washington Conference of February 6th 1922, by agreeing to "respect the sovereignty, the independence and the territorial and administrative integrity" of China, and to maintain "equality of opportunity in China for the trade and industry of all nations" by refraining from taking advantage of conditions in China "in order to seek special rights and privileges" there, and by providing "the fullest and most unembarrassed opportunity to China to develop and maintain for herself an effective and stable government," challenged to a large extent the claims of any signatory State to a "special position" or to "special rights and interests" in any part of China, including Manchuria.⁸¹

In addition to her claim of preferential and exclusive rights or special interests in Manchuria despite the Open Door Doctrine, Japan had gone even further and claimed a "Japanese Monroe Doctrine" in order to dictate the policies of China in particular and of all the other Asiatic Powers in general under the statement that it was her obligation, nay, her right, to preserve the peace of the Far East and that it was within her judgement to determine under what conditions this peace might be maintained. Japan claimed that it was for herself and herself alone to decide upon the future of Manchuria, and that no

⁸⁰ League of Nations, *Report of the Commission of Enquiry* Geneva, 1932, pp. 39-40.

⁸¹ Ibid.

interference with her decisions would be tolerated. In a word, Japan was historically to oppose any action of other Powers which attempted to aid China in her great task of developing unity and strength.

The phrase "Japanese Monroe Doctrine" was first used in Japan shortly after the close of the Russo-Japanese War, but it was emphasized whenever the Japanese chose to carry on an aggressive foreign policy. Since the Manchurian Incident of 1931 there had been an increased insistence upon it. Of course the term "Japanese Monroe Doctrine" is taken from the American term "Monroe Doctrine," however, the meanings are entirely different. The American Doctrine as officially defined, is solely a policy of self-defence. It is limited to expressing the opposition of the United States to any non-American state seizing territory or political control in their hemisphere. It does not claim "special interests," hegemony, or economic privileges. Admittedly, the Japanese Monroe Doctrine did contain the same principle of self-defence, for it opposed territorial or political encroachments by non-Asiatic powers. But this political principle was merely a small part of the Japanese Doctrine.

It was really the Caribbean policy of the United States which the Japanese had in mind when they speak of the American Monroe Doctrine. Their references were all to the relations of the United States to Mexico, Cuba, Panama, and Nicaragua. The Caribbean policy was first officially differentiated from the Monroe Doctrine by Secretary of State Hughes in 1923.

According to a few writers⁸² the area within which the Japanese Monroe Doctrine is applicable included the entire continent of Asia. A large number limited it to the Western Pacific. But for all practical purposes it represented the policy of Japan toward China in general and Manchuria in particular. The various principles which were included within this extremely elastic doctrine may be summerized under headings self defense or security; Pan Asia; special rights and interests; leadership and guardianship; and the right to live, or economic penetration.

"Pan Asia," or corollary slogans such as "Asia for the Asians" and "Back to Asia," were representative of a policy which had widely different meanings. As used by some Japanese it is defensive; its aim is to protect Asia from the attacks or encroachments of Europe and America. With others it is primarily cultural and commercial. However, it was usually used in an aggressive sense; all European and American political influence should be eliminated from Eastern Asia, and the entire region should be organized under Japanese political control.

The Japanese conception of the Monroe Doctrine was to exclude competition while providing for her own exclusive exploitation of the Asiatic nations for her own self-aggrandisement in contradiction of the Open Door Doctrine. The Twenty-One Demands which were forced upon China in 1915 make it clearly evident that the Japanese intended to place that country under her suzerain control. Later, at the Washington Conference of 1921-1922, Japan seemed to have

abandoned this ambition. Needless to say, this ambition still existed and served to influence the national policies of Japan. Immediately following the resumption of diplomatic relations between the U.S.A. and the U.S.S.R. on November 17, 1933, Japan proposed to abolish the puppet state of Manchukuo, providing that China would be willing to enter into a military and economic alliance with Japan somewhat along the lines of the Japan-Manchukuo protocol signed on September 15, 1932.⁸³ Under the terms of this protocol Japan was granted the sole right of internal and external military defense of the puppet state. Secret clauses attached to the protocol granted to Japan or Japanese interests monopolistic control of practically all Manchurian railways, electrical communications, minerals and mining enterprises, and essential industries.

Immediately after an investigation in China made early in 1934 by Dr. Rachman the head of the League's staff of experts who were attempting to offer technical assistance to China through the League, Japan declared the so-called "Hands Off China" Statement (otherwise known as the Amau Declaration) on April 17, of the same year. This Statement claimed for Japan the right to act single-handed in the maintenance of peace and order in China in particular and in East Asia in general.⁸⁴ The statement alarmed the whole world as another effort by Japan to apply her Monroe Doctrine in China and spelt the end of the Nine-Power Treaty and the Open Door Doctrine.⁸⁵ In this connection, Mr. G.H. Blakeslee commented:

..... The fact, however, that this technical reconstruction throughout China is under the supervision of the League of Nations and not of individual states is a practical guarantee that it will not endanger China's integrity and will not lead to the creation of spheres. The work is political only in the sense that it will help to make China a stronger and more united country and further, that it will be carried out by the League rather than Japan.

In reality, the "Hands Off China" Statement was nothing less than a declaration that, henceforth, China was to be a vassal State to Japan and Japan the authoritative interpreter of all the treaties concerning China, resulting in closing the door on foreign trade in that country and repudiating all the treaties concerning China including the Nine-Power Treaty. The very same "Hands Off China" policy was later practically directed against the economic investigations of Sir Frederick Leith-Ross, an economic adviser of the British Government in China in 1935-1936. However, in the long run Japan did manage to carry

⁸² G.H. Blakeslee. *The Japanese Monroe Doctrine* Foreign Affairs. January, 1933, pp 672-681

⁸³ See Appendix

⁸⁴ See Appendix

⁸⁵ Japan's "Hands Off China" Statement brough expressions of dissent from the United States, Great Britain, and France. The U.S.A. presented a formal statement to the Japanese Ministry for Foreign Affairs, which said: "In the opinion of the American people and the American Government, no nation can, without the consent of the other nations concerned, rightfully endeavour to make exclusive its will in situations where there are involved the rights, the obligations, and the legitimate interests of other sovereign states." The British and French Governments sent similar statements.

out her ambitious blueprint for aggression and conquest beginning with the seizure of Korea and Shantung, imposing the Twenty-One Demands, conquering Manchuria and Jehol, and invading North China. Not satisfied with this, she sought to swallow the whole of China by fabricating the Marco-Polo Bridge Incident and instigating the eight-year long Sino-Japanese War but at what a price!

Legally the Japanese Monroe Doctrine gave Japan no grounds for claiming special or preferential commercial or industrial interests in China or for that matter, anywhere else, and still less did it furnish justification for asserting political rights or influence in Asia. Least of all, did it warrant her, even for purposes of urgent national protection, in forcibly annexing or otherwise gaining administrative control over territory

belonging to another sovereign State. Under the Monroe Doctrine, as well as according to accepted principles of international law, a nation is justified in objecting to the establishment in its neighbourhood of foreign political influences that will endanger its own national safety, but no nation has an ethical or international juristic right to prevent another nation from developing its economic or political power or even military power, or to protest against its doing so upon the grounds that the nation in question may become so strong as to be a danger to itself.⁸⁷

⁸⁶ G.H. Blakeslee, *Conflicts of Policy in the Far East* New York Foreign Policy Assn. 1934, p. 28.

⁸⁷ This principle could very well apply in the case of Cuba.

CHAPTER 6 JAPANESE CONCEPTS OF THE "OPEN DOOR" POLICY

While Japan through special privileges had virtually closed the door in South Manchuria long before the Mukden Incident, her action along this line had become infinitely more pronounced since she gained complete control of Manchuria. The occupation of Manchuria by Japan spelled the end of any hopes for the development of the trade of foreign powers in that market other than Japan's.

The celebrated "Open Door" doctrine enunciated by John Hay in 1899 had acquired a new meaning under Japanese interpretation. The "Door" in Manchuria was being kept "Open" more as an exit than an entrance for foreigners whose former trade in that country was virtually ruined under Japanese military and economic domination. Japan had found so many ways of circumventing the Open Door that the efficacy of its application was entirely lost. The very history of international trade in Korea since Japan came into control of that country tells another story; Japan absorbed all of it.⁸⁸ The Joint Economic Commission Agreement signed between Japan and Manchukuo on July 15, 1935 had provided that the Manchukuo government should take no measures regarding economic matters without the consent of the Japan-Manchukuo Joint Economic Commission,⁸⁹ which corresponded to the stipulations of the Korea-Japan Treaty of August 22, 1904 that the Korean Government "shall consult the Japanese Government previous to concluding Treaties or Conventions with foreign powers, and in dealing with other important diplomatic affairs such as the granting of concessions to or contracts with foreigners."

Japan's pledge to keep Manchuria's door open was rapidly becoming a legend. The principle of the Open Door, Japan claimed, was honourably observed in Manchuria, but there was a considerable gap between principle and practice. Not only were industries financed by Japanese capital, many of them of a monopolistic nature, sprouting up all over Manchuria, but positive steps were taken to make the new state a closed shop by elbowing the other foreigners out of business. Although the

Manchukuo government under the instruction of Japan had repeatedly made her pledge as stated in the Proclamation on the Establishment of Manchukuo on March 1, 1932 that the principle of the Open Door would be sincerely observed and foreign capital would be welcomed and that all foreign treaties which had applied to Manchuria prior to September 18, 1931 would be faithfully discharged,⁹⁰ there was not the least indication of allowing foreign capital other than Japanese to be invested in the development of the country. There were often bitter comments from the foreign community in Manchuria regarding Japan's exclusive economic activities in that country. When Mr. Yosuke Matsuoka, who previously had led the Japanese delegation out of the League of Nations, announced to the world that the Open Door was still maintained in Manchuria, it provoked the American Consul to remark that there were too many Japanese standing in the Open Door that no one else could enter, or that the Open Door was being maintained to allow businessmen of other nationalities to get out. Indeed, for all intents and purposes the Open Door had disappeared from this part of Asia.

To give just one example of the contradictions brought forth by the Japanese regarding the Open Door, I quote first from the Manchukuo Communications to Foreign Ministers of Various Powers, March 12, 1932,⁹¹

Article 4. The Government shall not infringe upon the acquired rights of the people of foreign countries within the limits of the State of Manchuria, and further that persons and properties shall be given full protection.

Article 5. That the Government welcome the entry of

⁸⁸ See statement by Syngman Rhee, Former President of the Republic of Korea. Appendix

^{89, 90}

See Appendix. Both documents were published in, Publications of the department of Foreign Affairs, Manchukuo Government, Series No. 1. 1931.

⁹¹ Publications of the Department of Foreign Affairs, Manchukuo government, Series No. 1, Hsinking.

peoples of foreign nations and their residence in Manchuria and that all races shall be accorded equal and equitable treatment.

Article 6. That trade and commerce with foreign countries shall be facilitated so as to contribute to the development of world economy.

Article 7. That with regard to the economic activities of the peoples of foreign nations within the State of Manchuria the principle of the Open Door shall be observed.

Just three months before this communication was published, the Third Report on Progress in Manchuria had stated:

The recognition of this new state by Japan or other Powers must depend on how far it is capable of maintaining peace and order and of fulfilling international obligations. Some Powers may hesitate or delay such recognition for political reasons. However, should their nationals desire to commence or continue their trade in and with Manchuria, it would be much better for their Government to recognize the new state. Business necessity must often modify political sentiment.⁹²

The implication is obvious, recognize Manchukuo and you may continue business; don't recognize Manchukuo and you may not continue business.⁹³

In the economic sphere, Japan had desperately driven to fashion the new State's economy to that it would enhance her military strength and complement her industrial requirements. In order to carry out her economic programme, Japan, in the spring of 1933 forced the Manchurian government to bring forth in her favour a monopoly system covering all aspects of Manchurian commercial and industrial enterprises, and secondly in the summer of 1935 concluded a Joint Economic Commission Agreement with Manchukuo with the express purpose of seizing economic sovereignty from that country.

A study of the membership of the Japan-Manchukuo Joint Economic Commission will prove my point. It consisted of Japanese officials then exercising authority in Manchukuo. The Kwangtung Army was represented by Lieut. Gen. Nishio and its economic advisers; the Japanese Embassy by its counselor; and the Kwangtung Government by the chief of the Home Affairs Bureau. The Manchurian representatives were the Japanese chairman of the Board of General Affairs and the Manchukuoan Ministers of Finance, Foreign Affairs and Industry. The Commission's duties included "supervision of the management of the special companies set up as Japanese-Manchukuo joint enterprises." It was under this Joint Economic Commission Agreement that Japan had managed to seize and monopolize all enterprises in Manchuria under the guise of "joint operations."

One of the Manchukuoan monopolies which elicited a most bitter controversy between Japan and the other interested powers was the oil monopoly. Early in the establishment of Manchukuo, the other interested powers had cherished a promise to benefit in the new-found state under the principle of equal opportunity, inasmuch as Japanese military operations and road construction in Manchukuo had created a demand for oil which neither Japan nor Manchukuo could supply. British,

American and Dutch oil-importing companies, established in the latter country and protected by their treaty rights, hoped to benefit by these activities; the Japanese had other ideas. In spite of the repeated assurances made to observe the principle of the Open Door both by Manchukuo and Japan, a state oil monopoly was set up. The oil monopoly law became effective on April 10, 1935. The Manchukuo government proposed to take over the storage and marketing equipment of the foreign oil companies at its own valuation, and thus the foreign companies faced not only the loss of their retail business, but the expropriation of part of their property and the increasing competition from a government-fostered refinery.⁹⁴ In addition, a quota system was arranged, thereby the foreign oil companies faced a limited wholesale. As to the proportions, the Standard Vacuum Oil Company held 35 per cent of the oil imported into Manchuria, the Texas Oil Company 20 per cent, the Asiatic Petroleum Company 25 per cent, the Soviet Union Petroleum Trust 10 per cent, and the Ogura and Nippon Petroleum Companies 10 per cent. Netherlands oil interests were also affected to some extent by the new arrangement.

The first step towards the realization of the oil monopoly was the establishment of a Manchuria Petroleum Company, a Japan Manchukuo Joint Oil Company, on February 21, 1935 with its main office in Hsinking (Changchun). The company was given a full monopoly for the sale of both crude and refined oil. It was operating refineries at Dairen and in connection with the oil extraction plant at Fushun. The American, British and Netherlands Governments filed repeated protests with Tokyo against this policy. In addressing their protests directly to Tokyo they had made it clear that they continued to look on Manchukuo not as an independent State but as a Japanese creation. They insisted that (1) the monopoly was a violation of the pledge voluntarily given by the Manchukuo Government that it would observe the treaty obligations of China, which precluded the granting of monopolies of any kind; and (2) the fact that 80 per cent of the capital of the Manchurian Petroleum Company which held the monopoly was Japanese, while the Company's largest shareholder was the South Manchurian Railway Company, was held to be a breach of Article 3 of the Nine-Power Treaty of Washington, under which Japan had pledged herself not to seek privileges for her nationals.

In the face of repeated protests from America, Britain and the Netherlands, the Tokyo Government at first took the position that the Nine-Power Treaty was applied to China, of which Manchuria no longer formed a part; and disclaimed all responsibility in the oil issue, declaring that it was a matter of purely domestic concern to Manchukuo and any complaints

⁹² *Third Report in Progress in Manchuria to 1932*. The South Manchuria Railway, Dairen, June, 1932, p. 84.

⁹³ Even the handful of countries that did recognize Manchukuo were not allowed to carry out trade and commerce on a parity with the Japanese.

⁹⁴ The all-round reduction of oil prices had been affected in Manchukuo as a result of the enforcement of the monopoly system since April 10, 1935. In 1935, there was a reduction of about 20 per cent in the price of oil in Mukden and Hsinking (Changchun) sale zone and from 40 to 50 per cent in Harbin and Tsitsihar sale zone.

should be directed to the Manchukuo Government. However, the Tokyo Government asserted that it had learned from the Manchukuo authorities that there had never been any discrimination against other nationals and that it was merely an accident that Japanese shareholders held the majority of the stock in the Manchuria Petroleum Company. Further, as 80 per cent of the capital of the Manchuria Petroleum Company (i.e. Japan-Manchukuo Joint Oil Company) had been provided for by Japanese private and government sources, it could not be contended that the Japanese Government had no interest or concern in the oil monopoly. Moreover, as Vice Director Nomba of the Manchukuo Oil Monopoly Bureau declared on November 28, 1934, the South Manchurian Railway "Zone" was also affected by the oil monopoly with the only exception of Japan's Kwangtung leased territory still open to foreign oil business. Of course, undoubtedly, there would have been no such inclusion without Japan's consent. Thus Japan's assertion that she had no connection with the monopoly would no longer be tenable.

Then, upon the joint protests of the United States and Great Britain against the Japanese-created oil monopoly, the Japanese Government became more unyielding and eventually held the position that Manchukuo's promise to maintain the Open Door could not now be invoked because the recognition Manchukuo had sought had not been granted.⁹⁴ However, by a close study, those Manchukuo's declarations of adherence to the Open Door principle were not made conditional on recognition.⁹⁵ Many observers expressed the belief that Japan had used the Open Door principle as bait to secure political recognition. Mr. F.C. Jones puts it very nicely when he says:

Now of course Japan knows and the world knows that Manchukuo is not independent. It was created by Japanese arms and its Emperor is now upheld by Japanese arms. Yet Japan asks the world to believe that Henry Pu Yi, the puppet king, is a free agent and can do what he pleases, even while Japanese soldiers stand guard at his court. How are you to negotiate with a nation which plays at "make believe" like this and calls it reality?⁹⁶

Other commentators on Japan's evasive attitude of disclaiming responsibility advised that the American and British protests be addressed to Nanking not Tokyo. It is beyond a doubt that the Manchukuo oil monopoly had given one country, Japan, monopolistic privileges from which others were excluded. If the oil company were strictly Manchukuoan and if Manchukuo were a fully independent State, the foreign oil companies might grumble but neither they nor their governments could reasonably raise the Open Door issue, since, after all, the Open Door means simply that all foreigners shall be treated alike, not that all foreigners should necessarily have the same rights as nationals of the country itself.

Of course, apart from its strictly trading aspects, the oil monopoly move in Manchuria appeared to be part of the programme of the Japanese army and navy to make certain of having adequate supplies in case of war. Added to the Manchukuoan oil issue was the Japanese internal oil

controversy. Japan enacted an oil law on March 27, 1934.⁹⁷ The main object of this law was the accumulation of vast reserves of crude oil and the encouragement of oil refining in Japan in the interests of the Japanese Government, but at the expense of the foreign oil companies. The interested foreign powers had regarded the oil law as placing an unfair burden on foreign companies who had expended considerable capital to keep at least six months' supply on hand at all times as provided by the Oil Law, and the Japanese Government might take over these stocks at any time, pay for them such prices as it chose, thereby the companies were to be deprived of the security of markets. However, it is not implied that any breach of a treaty was involved, but the treatment of the foreign companies was considered to be unjust and not in accordance with international usages.

Before the application of the oil monopoly law, foreign powers other than Japan, had a dominant influence in the oil fields of Manchuria. However, by the enforcement of the oil monopoly law that had been affected to an unutterable extent.

Until the enforcement of the oil monopoly law the oil fields of Manchuria had been dominated by Great Britain, the United States and the Netherlands. Kerosene was the major petroleum product sold by them in Manchuria. However, with the enforcement of the new customs tariff of Manchukuo from July 23, 1933, Japanese kerosene enjoyed a preferential duty as "light oil" in defiance of the Open Door principle stipulated in Article 111 of the Nine-Power Treaty of 1922 under which Japan had pledged herself not to seek exclusive and preferential privileges for her nationals. Under Manchukuo's new customs tariff of 1933, imported Japanese kerosene was classified at "light oil" subject to a duty of 5 cents a gallon, while non-Japanese imports were classified as kerosene and paid a duty of 29 cents. This so-called Japanese "light oil" was distributed throughout the interior of Manchuria in unlabeled cans, however, nicely printed labels marked "kerosene" were mailed to dealers. Pasting them on the cans was a simple business. Once the Standard-Vacuum Oil Company imported a trial shipment of light oil, but the Manchukuoan customs officials classified it as kerosene and charged a kerosene duty. This discriminatory customs treatment in favour of Japan elicited bitter complaints from the non-Japanese companies, which submitted strong protests to the Manchukuo Government, but, as to be expected, no change was brought about in the customs policy.

Facing such an unfavourable situation, American concerns on November 13, 1934 were forced to have a reduction in the price of kerosene by 5 cents per gallon, but they were selling at a slight loss. Japanese importers were still underselling the foreigners as their kerosene was of a lower grade. On the other hand, Japanese kerosene imports showed a steady increase

⁹⁴ See pages 139 - 140

⁹⁵ See Appendix

⁹⁶ F.C. Jones. *Japan's New Order in East Asia* London, Oxford University Press. 1934. p. 197.

⁹⁷ For the full text of the Japanese Oil Law, see, London Times, October, 30, 1934, p. 14, col. 6.

under favourable conditions. The average yearly consumption of kerosene in Manchuria in 1933 was approximately 1,500,000 cases. The sale of the Japanese product increased from 3 per cent of the total during 1931 to approximately 30 per cent in 1933, while Soviet Russia held 15 per cent, the United States 40 per cent and Great Britain the remainder. There were more than 30,000 cases a month of the Japanese products of similar high gravity passing through the Manchukuo customs as light oil which thereby paid a duty of 50 cents per case. From the standpoint of the National Treasury of the new "State" of Manchukuo, the favouritism toward Japanese oil and kerosene meant a loss of nearly \$1,000,000 a year and the \$1,000,000 was a virtual Manchukuo subsidy to enable Japanese to undersell American and British Oil Companies competing in the Manchurian market.

Under the double handicap of the monopoly system and the discriminatory tariff, foreign oil companies other than Japanese had either closed or prepared to close their offices, retiring from the Manchuria market, as long as Japan under the protection of a favoured Manchurian tariff undersold them. They had no alternative but to withdraw. By the spring of 1933 the "Big Three" foreign oil companies had withdrawn from the Manchurian market,⁹⁸ their business being taken over by the Japanese-controlled Manchuria Petroleum Company. With the withdrawal of the "Big Three", Japan was in a position to monopolize the entire Manchurian oil market to her advantage. This was practically evidenced by a statement of a high Japanese official at Tokyo on May 17, 1935 when the "Big Three" had decided to quit. He said:

Should these companies, however, decide to retreat their offices from Manchukuo, the new Empire will not suffer, as any amount of crude oil can be brought from Soviet Russia through Japan. As a matter of fact, Japan will profit from the latter procedure.⁹⁹

With a view to elbowing the foreigners out of Manchuria Japan seized all other Manchurian enterprises besides the oil under her monopolization and at the same time created an embargo tariff under Japanese administrators on all foreign goods other than Japanese. There were numerous and manifold companies organized for monopoly purposes either with Japanese capital or Japanese-Manchukuo joint capital. However, Japan could not develop in Manchuria branches of industry which would compete with her own. It was generally agreed that Manchuria supply Japan with raw materials and Japan supply Manchuria the manufactured goods.

Of all the monopoly organizations the leading and the biggest was, as we have mentioned before, the semi-official South Manchuria Railway Company, of which half its capital was owned by the Japanese Government. By an agreement signed on March 1, 1933 between the Manchukuo Government and the South Manchuria Railway Company, the Manchukuo Government entrusted the latter with the complete management of all railways in Manchuria. The S.M.R.C. was also given a monopoly on the financing, construction, management and supplying of all new railways, telegraphs, telephones and

various public utilities throughout the "State" of Manchukuo. Its rate schedules, service arrangements, and traffic regulations were beyond interference by the Manchukuo authorities. Its predominant influence in commercial and industrial enterprises in Manchuria may be told by the fact of its continuous increase in capital, for instance, from ¥440,000,000 to ¥800,000,000 in 1933 alone. With the result, profits of the S.M.R.C. during the 1935-36 fiscal year were the largest in the history of the Company which had been established in 1907. Totalling ¥49,600,000, they were ¥3,000,000 above the amount for the preceding year.¹⁰⁰ The official statistics issued by the Manchukuo Government up to the middle of December 1933 state that there were 126 Japanese-controlled companies incorporated in Manchukuo with a joint authorized capital of ¥188,500,000, while the 1932 figures showed 120 Japanese-controlled companies incorporated with a joint capital of only ¥13,000,000. In 1936, among those commercial and industrial organizations financed either by purely Japanese capital or Japanese-Manchukuo joint capital were Anshan Iron and Steel Works, Manchukuo Central Bank, Manchuria Industrial Bank, Manchuria Telegraph and Telephone Company, Manchuria Chemical Company, Manchuria Petroleum Company, Manchuria Air Navigation Company, Manchuria Magnesium Company, Mukden Arsenal, Manchuria Collieries Company (a merger of all Manchukuo collieries with the exception of the largest open-cut mine operated by the South Manchurian Railway Company at Fushun), Manchuria Electric Company, Manchuria Gold Company, Manchuria Aluminum Company, Manchuria Pyrites Company, Manchuria Talc Company, Manchuria Alcohol Company, Manchuria Soya Bean Company, Manchuria Bean Oil Mills, Manchuria Cotton Mills, Manchuria Forestry Development Company, Manchuria Wheat Company, Manchuria Brewery Company, Manchuria Cement Company, Manchuria Marine Products Company, Manchuria Iron Company, Manchuria Tobacco Company, Japan-Manchuria Hemp Company, Japan-Manchukuo Communications Company, Japan-Manchukuo News Communication Service, Manchuria Navigation Company, Japanese Motor-Bus Company, Manchukuo Measuring Instruments Company and Manchuria Opium Monopoly Company. The monopolies enumerated above are the most important.

A great number of other business companies were also being established. Thus, under the then existing conditions, the business fields were rapidly closed to both the Europeans and the Americans not to mention the Chinese. The result was that many large American and European companies trading in Manchuria were winding up their business in preparation to leave the country, realizing the inevitability that their business would be squeezed out by the Japanese monopolization policy.

⁹⁸ The "Big Three" were: the Asiatic Petroleum Company (British), the Standard-Vacuum Oil Company (American), and the Texas Oil Company (American).

⁹⁹ North China Daily News, May 18, 1935, p. 9.

¹⁰⁰ H.J. Timperley, *Japan in Manchukuo*, Foreign Affairs, New York, January, 1934, p. 299.

Some of them had already withdrawn. In Mukden in 1933 more than 70 Chinese companies had closed and, even those that were still open for business, were on the verge of bankruptcy.

With the new Manchukuo tariff coming into operation on July 23, 1933, which had brought Manchuria within the Japanese tariff union at the expense of other countries, the other foreign interests became more handicapped. The new customs tariff regulations stipulated that 4.5% of Japanese imports could enter free and 11.5% were charged a nominal specially reduced rate. In the field of exports, there were four types of Japanese goods exempted and one type subject to reduced customs duty. Under such conditions, Japan could suck up Manchuria's raw materials and dump her surplus goods into the country for general consumption. The revised tariff effected on November 15, 1934, was, according to the official Manchurian News Agency, made in harmony with the principle of the Japanese-Manchukuo economic accord. It was reported that 118 items were included in the revised tariff and that they were specially designed to benefit Japanese domestic and local manufacturers more than the Manchukuoan consumers. A prelude to the embargo tariff of 1933 was the statement made by Mr. T. Konai a Japanese member of the Manchukuo Privy Council and a man who played a leading role in the organization of Manchukuo. He declared that Manchukuo's door to trade would not remain open to countries that withheld recognition of her status. He agreed that Manchukuo's inaugural declaration had pledged the new "State" to observe the open door policy, but said that it was impossible that the pledge could apply to countries which refused to recognize its existence. When reminded of the Nine-Power Treaty, Mr. Konai said that Manchukuo was not a part to that pact.

In addition, with the enforcement of the Manchukuo-Japan Through Trade Accord of May 22, 1935 and the Manchukuo-Japan Customs Agreement of May 24, 1935, trade between Manchukuo and Japan became even more prosperous as the customs formalities at the borders between Manchukuo and Korea no longer existed. Since the enforcement of these two agreements, shipments from Japan to Manchukuo and vice-versa had passed duty free through three northern Korean ports: Rashin, Seishin and Yuki, whence fast freighters plied back and forth across the Sea of Japan. Manchukuo's customs tariff had been revised several times, but all were based on the same principle namely, the further consolidation of the Japan-Manchukuo economic bloc and the protection of Manchukuo's domestic industries for Japanese advantage and benefit only.

Prior to the establishment of Manchukuo, the British-American Tobacco Company dominated the cigarette trade in Manchuria, holding about 70 per cent of the total sales in that country. After 1932 this company had faced increased competition from Japanese companies and had struck a slump. This company had been importing a substantial portion of its raw tobacco from Shangtung province in China and, before 1932, such tobacco was not subject to import duties. Under the new regime, however, China was placed in the category of a foreign nation and materials imported therefrom were subject to

an import duty ranging from between 10 and 20 per cent. Many Japanese tobacco companies operating in Manchuria had been obtaining their supplies from the Antung district in South Manchuria which gave them the advantage of obtaining rebates in duty and freight payable after a period of six months.

Later on July 1, 1934 a new tax on cigarettes was effected. The tax on high grades (mainly of British origin), which was defined as those costing over three shillings a hundred (sounds incredible) was nearly doubled. The Manchuria Tobacco Company organized in the summer of 1936 and a subsidiary of the Japanese Toa Tobacco Company, had built a huge cigarette factory at Changchun. Many reports have it that the products of the British-American Tobacco Company had been removed from the shelves of many Japanese shops and foreign stores operating under Japanese influence and were substituted by Japanese brands. Up until 1941 the factories of the British-American Tobacco Company were operating on a shoestring in Harbin and Liaoyang.

The complete cotton trade in Manchuria, which was originally in the hands of the British, passed entirely into Japanese control. In short, the situation of squeezing out foreigners in Manchukuo went from bad to worse. Shops throughout the whole of Manchukuo were crammed with cheap Japanese goods with which the other foreign products could not compete. The final result was that the handful of foreign business remaining open had to employ Japanese assistants; others were being operated through dummy Japanese staff while several wholesalers were marketing their products through Japanese dummy firms.

In order to prevent the news of what was happening in Manchuria, Japan brought in a Press Law in 1933 and thus instituted a very rigid and elaborate system of censorship. A Japanese-Manchukuoan Censorship Committee had been formed consisting of two representatives each from the Japanese Embassy, the Kwangtung Governor-General's Office, and the Manchukuo Government, and one each from the Kwangtung Army and the Japanese Gendarmerie Headquarters. One or two observers were sometimes admitted to meetings. Any person in Manchuria who was of an inquiring turn of mind could garner nothing from official sources no matter how hard he tried. If he enquired on the conditions in the country he would be told that peace and order and equal opportunity existed everywhere. If his enquiries became more pointed, he might, particularly if he was a newspaperman, find his entry into Manchuria barred for the future.

Under the censorship system, correspondents of all nationalities in Manchuria were greatly handicapped in their work, and many of them had either been kept out or threatened with deportation or imprisonment. The notable examples of such cases are Mr. Edward Hunter, who was arrested by the Japanese authorities in Harbin in 1932; Mr. Bartels, editor of the *Deutsch-Chinesische Nachrichten*, a German daily in Tientsin, who was warned in May of 1932 to leave Mukden immediately under threat of arrest and imprisonment; Mr. Lenox Simpson who was deported from Harbin in 1933; and

Mr. Upton Close, who was barred from entering Manchuria in 1933. Chinese newspapers and correspondents had long before been barred from entering Manchuria and not a single correspondent could be found there.

On June 1, 1933, the Japanese introduced a visa system in Manchuria against foreigners. From this date it was mandatory for all foreigners entering the country to have a visa stamped in their passport showing official permission to enter Manchuria, to reside there, or pass through in transit. Visas were available at Manchuli and Pogradichnaya (Suifenho) on the Siberian frontiers; Shanhaikwan on the Great Wall; Yinkou on Liaotung Bay; Dairen for travellers by way of the Kwangtung Leased Territory and Antung, Huimotung, Keijo and Rashin on the Korean frontiers. It was further declared by the Japanese that the State of Manchukuo would not recognize any visas granted by a diplomatic or consular office of the Republic of China so much for China's territorial integrity. In connection with the anti-foreign activities in Manchuria Professor T. O'Conroy said.:

..... Throughout Manchuria there is a growing movement that aims to obstruct the active progress of the white races where they come under Japanese authority. The situation to-day is extremely delicate and there is not a little danger. Many of the foreign community have sent their families home, sensing the attitude of the populace in general towards the barbarians, and especially that of the police. At the present time this anti-foreign propaganda is greater than at any time in the history of Japan.

Emigration of Chinese labourers into Manchuria had been strictly restricted and their entrance into that country had been barred since the enforcement of the restrictions on Chinese coolies on February 12, 1935 and a further law, the Foreign Labourers Law of March 21, 1935 had come into effect. By the restriction regulations the Chinese coolies, when entering

Manchukuo, had to be provided with certificates issued by the Japanese Tatung Company, while under the Foreign Labourers Law, which "shall not apply to labourers of any country with which this State has reached a separate agreement," the foreign labourers, on their entrance into Manchuria had to present to the police officers concerned a certificate of identification issued by persons handling foreign labour, and obtain an official stamp granting permission to enter the country.

The measures taken by the Manchukuo Government or, in point of fact, the Japanese Government against Chinese coolies, were on similar lines to those in force in Formosa. As a result of these restrictive measures, a large number of Chinese coolies were deported annually and the previous swarms of Chinese coming into Manchuria from China proper was no longer to be seen.

Following the Mukden Incident, the number of foreign residents in Manchuria (excluding the Japanese, of course), decreased tremendously. On the other hand, thousands upon thousands of Japanese and Koreans streamed into the country like locusts. The majority were undesirable elements. Charges of graft, kidnapping, murder and extortion were constantly leveled against Japanese gangsters and corrupt Japanese officials by the Chinese and White Russians remaining in the country.

The bare facts of the state of things in Manchuria told more than all the Japanese propaganda. Such statements as, "The Door is still kept open in Manchuria," Chinese sovereignty is being respected," "Equal opportunity for all," ad nauseam were no longer believed. What was believed was that the Open Door had disappeared in this part of Asia, never to return, no matter how Manchuria may develop in the future. Nothing short of war could establish that principle in Manchuria.

¹⁰T. O'Conroy. *The Menace of Japan*. London: Hurst and Blackett, Ltd., 1933. p. 254.

APPENDICES

MANCHOKUO-JAPAN PROTOCOL*

Signed at Hsinking, Sept. 15, 1932

Whereas Japan has recognized the fact that Manchoukuo, in accordance with the free will of its inhabitants, has organized and established itself as an independent State; and

Whereas Manchoukuo has declared its intention of abiding by all international agreements entered into by China in so far as they are applicable to Manchoukuo;

Now the Governments of Manchoukuo and Japan have, for the purpose of establishing a perpetual relationship of good neighbourhood between Manchoukuo and Japan, each respecting the territorial rights of the other, and also in order to secure the peace of the Far East, agreed as follows:

1. Manchoukuo shall confirm and respect, in so far as no

agreement to the contrary shall be made between Manchoukuo and Japan in the future, all rights and interests possessed by Japan or her subjects within the territory of Manchoukuo by virtue of Sino-Japanese treaties, agreements and other arrangements or Sino-Japanese contracts, private as well as public;

2. Manchoukuo and Japan, recognizing that any threat to the territory or to the peace and order of either of the High Contracting Parties constitutes at the same time a threat to

* Publications of the Department of Foreign Affairs Manchukuo Government. Series No. 1. Oct, 1932. Hsinking. pp. 16-17.

the safety and existence of the other, agree to cooperate in the maintenance of their national security; it being understood that such Japanese forces as may be necessary for this purpose shall be stationed in Manchukuo.

The present Protocol shall come into effect from the date of its signature.

The present Protocol has been drawn up in Chinese and Japanese, two identical copies being made in each language. Should any difference arise in regard to interpretation between the Chinese and Japanese texts, the Japanese text shall prevail.

In witness thereof the undersigned duly authorized by

their respective Governments, have signed the present Protocol and have affixed their seals thereto.

Done at Hsinking, this 15th day of the Ninth month of the First year of Tatung, corresponding to the 15th day of the Ninth month of the Seventh year of Showa.

(L.S.) Cheng Hsiao-hsu Prime Minister of Manchoukuo.

(L.S.) Nobuyoshi Muto. Ambassador Extraordinary and Plenipotentiary of His Majesty the Emperor of Japan.

* Publications of the Department of Foreign Affairs Manchukuo Government. Series No. 1. Oct, 1932. Hsinking. pp. 16-17.

STATEMENT BY THE MINISTER OF FOREIGN AFFAIRS

on the occasion of

The Signing of the Manchoukuo-Japan

Protocol

Sept. 15, 1932

It is truly a matter of our mutual rejoicing and congratulation that, through the signing of a Protocol today between His Excellency Mr. Cheng Hsiao-hsu, the Premier of Manchoukuo, and His Excellency General Nobuyoshi Muto,¹ Japanese Ambassador Extraordinary and Plenipotentiary. Japan has formally recognized the State of Manchuria. The two nations are thus able hereafter as independent States mutually to cooperate and contribute to the cause of peace in the Far East, as well as of the world at large. This event not only marks a new epoch in world history, but is another step towards the enhancement of human happiness.

Fully half a year has now elapsed since Manchoukuo welcomed by the will of its people His Excellency Mr. Henry Pu Yi as the Chief Executive² in March of this year, and declared its independence to the world. During these months, through the untiring efforts of all the officials of the Government and the general awakening of the people, the foundation of the nation has been made steadily secure. Again, with the continued aid of the Japanese military forces, bandits and other disorderly elements within the State have practically been eliminated, particularly with the complete collapse last July of Ma Chan-shan's army. Furthermore, the transfer to the Manchoukuo Government of all customs stations has placed the finances of the State on a sounder basis. As a result we are now fully convinced that the time for the realization of the much cherished hopes for a land of peace, security and happiness is not far distant.

The State of Manchuria came into being through the will of the inhabitants of this region and is set to strive for the promotion of the people's welfare within and for the maintenance of friendly relations with foreign countries. Its standing as a State, I am sure, can be favourably compared with any other member of the family of nations. Moreover, its independence, regardless of whether or not it is recognized by

the powers, is already a reality indisputable. No amicable adjustment in international relations is possible when this fact is completely disregarded and no one should be considered faithful to the cause of world peace and human happiness if he deliberately ignores its existence.

It gives us, nevertheless, unbounded joy and satisfaction to realize that Japan, which has among the powers the most important relations with the existence of this nation and whose contact and intercourse are the closest, has in advance of others extended her de jure recognition by affixing her signature to the Protocol. This is a matter which the entire people of our country have so ardently desired, for it vastly contributes to the solidifying of the national foundation and the strengthening of our international position. It should be noted that in this Protocol the High Contracting Parties are in agreement for the safeguarding of their mutual safety and security and that a permanent guarantee is included for the existence of Manchoukuo, thereby removing once and for all whatever misgivings that some of our inhabitants might have entertained hitherto as regards the future of their country.

At this juncture, we note the existence of the war-lords of the Chang Hsueh-liang's military clique who, vainly dreaming of the recovery of Manchuria, have so tenaciously engaged in disturbing the peace of the country by instigating outlaws and bandits. There are also the Kuomintang politicians who have plotted time and again to reinstate the former regime in the country already cleared of old militarists by involving Western powers in the international complications of the Orient. We earnestly hope that the leaders of the Kuomintang and others will awaken to the changed conditions of the country and accordingly formulate policies designed to create, in coopera-

¹ Committed suicide July 27, 1933.

² But not Emperor.

tion with Manchoukuo and Japan, unity and harmony among all the races of the Far East.

The European and American powers and the League of Nations have upheld the principle of justice and humanity and have advocated the doctrine of the "self-determination of peoples." To these powers we desire to point out that it is utterly inconsistent to attempt to subject the inhabitants of Manchoukuo, against their will, once more to the oppressive yokes of their former militarists from whom they have just liberated themselves. On the contrary, it is the duty of these Western powers to offer their assistance and encouragement for a fuller development of this new State. Our sincere hope is that the powers will acknowledge the fact that the failure to recognize the independence of Manchoukuo and the support given by Japan to its realization will unnecessarily lead to the disruption of peace in the Far East, and that they will speedily take steps for extending their formal recognition.

We are not at all unaware that there might be among the nations abroad some that are concerned with the especially intimate relations existing between Japan and Manchoukuo. Such relations are only natural in view of the geographical and historical connections of the two countries. Similar instances are numerous among other nations; it would be futile to spend more words on this point. In this respect it is perhaps not wide of the mark if we assert that what the majority of these countries are particularly concerned with seems to centre on two points,

namely, the Open Door principle in regard to economic interests in Manchoukuo and the fulfillment of international obligations on the part of this new State. Our policy on these matters have already been clarified in the Proclamation on the Founding of Manchoukuo and in official communication to foreign powers dispatched some months ago, will be fully proved as our international standing becomes more secure. If, in spite of this, there should exist any doubt among the powers, it behooves them to follow the step taken by Japan by recognizing this Government and concluding treaties to safeguard these two essentials.

There are persons in China and some of the Western countries who totally lack definite knowledge about Manchoukuo and who are easily influenced by false propaganda. Vile and malicious reports concerning this nation are circulated by these people but we are confident that facts will effectively refute such reports without apology. It remains for us, then, only to press forward courageously and steadfastly for the attainment of the objectives and ideals enunciated in our official proclamations.

In concluding, we wish to convey our deep gratitude to Japan, our great and friendly neighbour, and her people for according formal recognition of this nation; and take this occasion to reaffirm our deep conviction that the entire people of Manchoukuo are firmly determined to overcome all obstacles in order to realize fully their ultimate aims and hopes.

PROCLAMATION ON THE ESTABLISHMENT* OF MANCHOUKUO

March. 1, 1932

The territories of Manchuria and Mongolia form a region remote and isolated from the Continent of Asia. The records of the past show that its history is a long one; that the country experienced unions and disunions within its borders; and that the soil of the land is fertile and the people honest and simple in their manners and customs. After the country was opened to intercourse with outside countries the population increased in numbers and the products in volume, thus turning the country into a land of abundance and promise.

On the contrary, since the establishment of the Chinese Republic following the revolution of 1911, the military factions of the North Eastern Provinces, taking advantage of civil wars in China Proper, usurped its administrative power, and brought the Three Eastern Provinces under its control. Twenty years have elapsed since the revolution, during which time one war-lord has succeeded another, each of whom, completely disregarding the welfare of the people, indulged himself in greed, extravagance and dissipation. While they were bent on the pursuit of the self-interest and cupidity, the people, on the other hand, were burdened with over-taxation at the will of the war-lords. As a result the currency system witnessed complete ruin, and the business of the country became stagnant and

finally collapsed.

At this critical time, again, the war-lords, giving rein to their ambition, advanced their army into the country south of the Great Wall, and caused unnecessary strife, killing and wounding a large number of people. Although they suffered defeat many a time, they never realized their own folly; they have lost the confidence and respect of foreign powers. They waged wars with neighbouring countries; and with utter disregard to the spirit of friendliness and cordality toward foreign countries, they encouraged anti-foreign movements.

The laxity in the police administration caused disturbances in the country and gave rise to ravages by thieves and bandits. Acts of looting, arson and massacre by these lawless elements terrified the entire population and exposed them to hunger in all corners of the country. To leave these thirty million people of Manchuria and Mongolia further in their hands within the border would have meant their exposure to atrocity and lawlessness and finally to their extinction. The people earnestly

* "Proclamations, Statements and Communications of the Manchoukuo Government" Department of Foreign Affairs Manchoukuo Government. Series No. 1. Hsinking, Manchuria. 1932. pp. 3-6.

desire to extricate themselves from this extreme danger and horror. Happily, through the aid of the army of a neighboring Power, it has been possible to expel these corrupt elements from the area where they have entrenched themselves for many years past. The home of misrule and corruption is thus now being given a thorough cleaning. This we believe is a Heaven-sent opportunity to the people of Manchuria and Mongolia to shake off their shackles, who should, therefore, rise to the occasion and strive for regeneration and rebirth with courage and determination.

Turning our eyes to China Proper we note that the rival war-lords have engaged in intermittent warfare ever since the revolution took place. Of late years despotic rule over the country was exercised by one party alone. Under the guise of the "Three Principles of the People," the people are put to death in the name of Minsheng; their leaders are bent only on promoting their own interests and indulging in their greed in the name of Min-chuang; and in their eyes there is nothing outside their own party although they profess the principle of Min-tsu. In this manner, though they declare that the country is ruled with fairness and equality, the practice of the party leaders is in utter contradiction to what they profess, thus not only deceiving themselves but the people at the same time.

Of late years, internal strife caused by illegal partitioning one another's territory have been frequent in China Proper. Even the existence of the Kuomintang party itself is now in danger. In these circumstances, it is impossible to expect from them any regard for national welfare. The country is at present overrun by Communist bands whose poisonous influences are fast eating into the flesh of the people and the very heart of her national government. In the face of these deplorable conditions we are compelled to look back to the days of the Ching and Ming dynasties, as well as those of the Yao and Shun and lament the vast distance that separates us from the days of the golden age of our history. It should be noted that this feeling of ours is equally shared by friendly nations abroad.

The result of twenty long years' experiences has convincingly taught us that we must bravely face the realities and take upon ourselves the task of reforming our national life and of bringing about a new golden age. The fact must be borne in mind, however, that evil influences are still with us and should we evade the issue at this time and fail to check the spread of Communism, it is obvious that the destruction of the nation is inevitable. In this hour of crisis unless the people of Manchuria and Mongolia awake to a realization of the Heaven-given opportune call to liberate themselves from this corrupt political state, their extinction, too, will have to be faced.

After thorough deliberations for several months past at numerous meetings, the leaders of Fengtien, Kirin, Heilungkiang and Jehol Provinces, Harbin Special District, and those under various banners of Mongolia, have come to a unanimous conclusion to adopt a practical application of good rule rather than a display of words in the administration of State affairs. Under whatever form of government, the primary duty of the State is to assure the inhabitants peace and security.

Manchuria and Mongolia constituted in the past a separate State detached from China Proper. The present situation places us in a position to strive for our own national independence. Accordingly, by the will of the thirty million people, we hereby declare on this day that we sever our relations with the Republic of China and establish the State of Manchuria, and we hereby make a public proclamation of the fundamental principles on which this new State is founded.

1. We believe that statecraft should be founded upon the principles of Tao or the Way, and Tao founded upon Tien or Heaven. The principle on which this new State is based is to follow Tien or Heaven that the people may have peace and security. The government must be approved by the people and no man's personal views shall be permitted to influence the affairs of State.

2. There shall be no discrimination with respect to race and caste among those people who now reside within the territory of the new State. Besides the races of the Hans, Manchus, Mongols, Japanese and Koreans, the people of other foreign countries may upon application have their rights guaranteed.

3. In internal affairs the new State will reject the policies adopted in the dark days of the past. It will revise laws and enforce local autonomy, draft able men into the service of the government and elevate the officials deserving promotion, encourage industry, unify the currency system, open up the natural resources of the country, endeavour to maintain a good standard of living for the people, adjust and regulate the administration of the police, eliminate banditry, and promote and popularize education, respect Li-chiao, the teachings of Confucianism, and apply the principle of Wang-tao, the Way of the Benevolent Ruler, and practice its teachings. These, we believe will enlighten the people and maintain the honour of perpetuating the peace of the Far East and thus set an example of model government to the world.

4. The foreign policy of the new State shall be to seek and promote further cordial relations with foreign powers by winning their confidence and respect, and to observe strictly international conventions. Financial obligations incurred within the territory of Manchuria by treaty stipulations with various countries prior to the establishment of the new State shall be met according to the usual international conventions. Foreign investments by any nation shall be welcomed for the furtherance of trade and the exploitation of natural resources, thus bringing the principle of the Open Door and Equal Opportunity and the like to a fuller realization.

The foregoing articles constitute the fundamental principles underlying the establishment of the new State. The newly-formed Government will bear all responsibilities thereof from the day of the creation of the new State and the Government hereby pledges upon oath to the thirty million inhabitants that these shall be faithfully carried out.

Manchoukuo Government

1st March, 1932

First Year of Tatung