JAPAN IN MANCHURIA

IV

NORMAN READDY

With the failure of the League to bring the Manchurian Problem to a successful conclusion, the country was almost, if not entirely, forgotten by the rest of the world for the next thirteen years until Japan's defeat in 1945. Consequently, there is a paucity of documents dealing with that period, and even those that are available are generally written from the Japanese point of view. Of immeasurable help has been the record of proceedings of the International Military Tribunal for the Far East from which I have taken the liberty of quoting extensively throughout this final chapter. Documents from non-Japanese sources and from those who were living in Manchuria during this period are few, and those that do exist are usually unreliable for the simple reason that the Japanese were exceedingly efficient in suppressing any and all protest. Further, a certain key element of the population of Manchuria fled either south into China proper, north into Inner and Outer Mongolia, or even further north into Siberia. Those who remained were either in league with the Japanese or too cowed to offer any substantial resistance. Those remaining were faced with the fact that the Japanese were intent on initiating a systematic programme for the exploitation of natural resources and labour; a programme to completely demoralize the country by the indiscriminate and wanton distribution of opium and further squeeze the influential Manchurians and Chinese dry through extortion, blackmail, kidnapping and terror. However, in the final reckoning, it was not Japan that ruined Manchuria, but Manchuria which ruined Japan.

It is true that during their years in Manchuria the Japanese poured untold millions of yen into the country to aid in its development. Communications, iron and coal enterprises, new cities, railways and air routes were newly opened, and the currency was stabilized. The fateful mistake of the Japanese was that of pouring capital into what was essentially an agricultural country in order to promote industrialization. These large amounts of capital had the effect of making Manchuria an exclusive field for Japanese overseas investment but at the same time put a severe strain on Japan herself by draining the major portion of the capital available for investment without any prospect of immediate return. The economic exploitation of Manchuria was essential if the Japanese industry was to be sustained. With the population of Japan expanding at an alarming rate, it was natural that Manchuria was the obvious choice as an outlet for emigration. However, the severe climate and unfamiliar conditions of the country limited the number of emigrants and those that did decide to make their life in Manchuria were, to a great extent, comprised of misfits, outcasts, petty gangsters and opportunists. That Manchuria was a severe drain on Japan is amply shown by the following:

| National Expenditure | 1930—31 | ¥ 1,588,000,000
| National Expenditure | 1937—38 | ¥ 2,870,000,000
| Military Appropriations | 1930—31 | ¥ 470,000,000
| Military Appropriations | 1937—38 | ¥ 1,400,000,000
| National Tax Revenue | 1930—31 | ¥ 835,000,000
| National Tax Revenue | 1937—38 | ¥ 1,300,000,000
| National Debt | 1931 | ¥ 6,000,000,000
| National Debt | 1937 | ¥10,500,000,000

During the above period (1931—37), the results of Japanese efforts in Manchuria were meager. The Japanese population of Manchuria, however, doubled during these years to reach a total of 501,251 by the outbreak of the "China Incident" in July of 1937. To this may be added 894,539 Koreans and Formosan "immigrants" who were, in most cases, forced to leave their homeland and settle in Manchuria to make up for those Japanese unwilling to emigrate from Japan. The figure mentioned above pertaining to Japanese emigrants consisted of officials, technical railway and industrial experts and businessmen rather than agricultural colonizers. To this may be added those types of individuals mentioned previously.

Before embarking on her adventure in Manchuria, Japan was a country relatively at ease. True, she was caught in the toils of depression like almost everyone else, but she was less

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37 It is true that very few fled to Siberia. Of the nearly two million White Russians living in Manchuria at the time of the Japanese occupation, the majority were émigrés who had fled the Bolshevik Revolution in 1917.


constricted than most, since her economic and financial organization was less complex and she was not wholly dependent on factory production. There may already have been fundamental dislocations in her social system, but they had not yet become malignant. As for security, only the United States was in a more enviable position.\textsuperscript{60} Japan's neighbours were weak and not particularly hostile. There were minor conflicts, but only such as could be postponed, if not definitely allayed. With China, Japan's relations were not good; but neither were they severely strained. In the preceding years when China had been swept by nationalism, the Western powers had borne the brunt of Chinese antagonism and Japan had remained comparatively immune. In 1930 there was friction over Manchuria, but friction of the kind that could have been at least temporarily smoothed over by routine negotiations if Japan had so wished. With Soviet Russia there were no relations at all. Manchuria served as a buffer and, in any case, Russia was a negligible military quantity in the Far East; its absorption in five-year plans gave every prospect that in a military sense she would remain negligible on her eastern frontier for some years to come. Japan had nothing specific to fear from without. From the tempest apparently brewing in Europe she was in a position to hold aloof, a disinterested spectator, less liable to involuntary engagement than even the United States.

However, in the space of just a few years this situation changed drastically. Japan became caught in a net of enmities from which she could not extricate herself. Her neighbours became embittered by Japanese aggressions, and China, no longer weak, thirsted for revenge. Soviet Russia, a negligible element in 1931, answered Japanese advances in Manchuria by building up and massing a huge army on her eastern frontiers. Japan, in her desperation, allied herself with Germany in the form of the Anti-Comintern Pact which, instead of ending her isolation, merely served to tighten the net around her and dashed any hope that might have existed for reconciliation with the Soviets.

The contrast with Japan's situation in 1931 and 1937 can be explained in one word — Manchuria. It is theoretically possible that, if Japan had taken Manchuria and remained content with her conquest, she might have evaded the condemnation of the world in 1937. It was not the fact that Japan had seized Manchuria that turned most nations of the world against her; it was of what followed \textit{after}. If Japan had remained north of the Great Wall and within the confines of the Three Eastern Provinces she would not have called out the opposition that compelled her to spend herself. But, like Germany in the late 1930's, Japan's initial successes were an invitation to go further. Expansion begat expansion; newly acquired territory is always unsafe until the adjoining territory is made secure, and then that territory is insecure and so on. As in the case of Hitler, first the Rhineland, then the Polish Corridor, then Austria, then Czechoslovakia and, it was only with the invasion of Poland in 1939 that the world woke up to the fact that there was no end to Hitler's demands and that appeasement just didn't work. The same pattern is evident in the case of Japan; first Korea was annexed to protect Japan, then Manchuria to protect Korea, then China to protect Manchuria in the south and, as the Soviets probably surmised, Japan's next move would be in the direction of Mongolia and Siberia in order to protect Manchuria in the north. However, what is truly amazing in the similarity between German and Japanese machinations in Europe and Asia, is that the whole world knew of them years before they were made. Hitler's plans for world domination were contained in "Mein Kampf", while Japan's master plan for expansion into Asia proper is spelled out quite clearly in the "Tanaka Memorial".\textsuperscript{61} But the world refused to take them seriously.

It was very obvious even in 1931 that Japan would not make a success of Manchuria for the simple reason that she just wasn't rich enough. It is a fact that the success or failure of a colonial acquisition depends less on the intrinsic worth of the colony than on the wealth and power of the colonizing country. During the seventeenth, eighteenth and nineteenth centuries, countries like France and England were able to build up their overseas possessions because they were rich enough and powerful enough to pour capital into a colony to develop its resources while simultaneously fortifying themselves against other countries resenting their acquisition.\textsuperscript{62} This is the way, the only way, to make a colony profitable. In the case of Japan in Manchuria, she had neither the capital to develop the country's resources, nor the wealth to build up a military establishment powerful enough to safeguard her possessions against the resentment of both China and Russia. True, in the 1930's she might have possessed the capital to attempt one; that she did not have the wealth to achieve both is certain — but this is exactly what she tried to do — and failed miserably.

Almost all Japanese investment in the 1930's was unprofitable. The railways which Japan built throughout Manchuria were, like the Autobahn, designed primarily with an eye to military strategy. The industrial enterprises were encouraged mainly to produce materials to make the Japanese Kwangtung Army in Manchuria self-sufficient. The cost to Japan for maintaining an army in Manchuria was enormous. To give a typical example, in 1931 the cost of the Kwangtung Army was ¥1,400,000,000, by 1937 this had risen to ¥2,700,000,000\textsuperscript{63} or more than one-tenth of Japan's estimated national revenue for that particular year. Japan's attempts to "pacify" Manchuria cost her more money than was available for investment; and of course, this cost did not decline. The quandary that Japan placed herself in Manchuria was one where she was forced to maintain a position that could only be maintained by means that sapped the nation's vitality.

\textsuperscript{60} See Appendix "A" for an outline of Japan's expansion into the Pacific and mainland Asia.

\textsuperscript{61} For the full text of the Tanaka Memorial, see Appendix "B"

\textsuperscript{62} Besides having to protect themselves against external resentment, the Japanese had to deal with internal resentment in the form of a rising nationalism which was not evidenced to such an extent during the French and British colonizing period.

\textsuperscript{63} What the Japanese Budget called the "Manchurian Incident Expenditure."
Added to the above is the fact that Japan, as a colonizer was a failure. What capacity she possessed for construction in Manchuria was counterbalanced by a lack in the intangibles of ruling. Her notorious psychological deficiencies, more that evidenced in Korea, were glaringly conspicuous in Manchuria. As a result, not only did the inhabitants remain unreconciled; they were hostile. If the Japanese forces in Manchuria had been withdrawn any time before 1945, the Manchukuo “state” and the supervisory régime there would not have lasted a week. In Manchuria as elsewhere, Japan did not display the capacity to win loyalty by sharing profits and rewards, any businessman who went in with the Japanese in Manchuria soon found himself thrust out. Even Germany, who strove for years to build up good-will in China then opted for Japan in the war of 1937, was not even given equal status in Manchuria along with their Japanese “friends.” No programmes or policies, no techniques or devices of organization would have availed in Manchuria so long as Japan defied a simple rule of mathematics. Whatever permutations of the figures there might have been, the result would have always come out near the minus sign.

The preceding pages has been an attempt to describe roughly what Manchuria did to Japan; the following pages will try to explain what Japan did to Manchuria. We have seen that in order to develop Manchuria the Japanese would have had to lay out enormous amounts of capital which they just didn’t have, thus, if Japan was incapable of maintaining Manchuria, then Manchuria would have to maintain Japan. Even though Manchuria was a country almost entirely undeveloped, it did possess the capacity to produce a certain product which could not be developed in Japan; this was opium.

The smoking of opium had been introduced into China around 1650 by the Dutch. Until 1800 it was a luxury habit practiced by the rich, however, the competition among the British, Dutch, Portuguese and American traders drove the price down and the demand up until the habit spread almost over the entire length of China. The Japanese soon recognized that the drug had served in no small respect to degrade and weaken China and, in 1858, negotiated an agreement with the British to keep opium out of Japan. With the attainment of Formosa in 1895, the Japanese discovered that 14 per cent of the population were addicted to opium. Fifty years later the Japanese had succeeded in reducing addiction in those islands to one half of one per cent. By the 1920’s, Japan’s record for opium control was one to envy. In America the percentage of addicts was one in three thousand, in Korea, one in four thousand, by comparison, one out of every seventeen thousand Japanese was an addict. In Manchuria, however, the Japanese decided on a new policy; this was the policy of weakening Manchuria resistance while enriching themselves through the indiscriminate distribution and sale of opium throughout the leased territories. In 1931, the League of Nations report on opium addiction in Manchuria indicated that about one in every 120 Manchurians was an addict; seven years later under Japanese rule, this figure had increased to one in forty.

The Japanese in Manchuria had been dealing in opium and its derivatives since the 1920’s. Lord Russell in giving evidence before the International Military Tribunal for the Far East stated:

“As heroin manufacture and sale constitutes apparently a perfectly open and authorized trade in Manchuria and Jehol, it is possible for any intelligent traveller to judge of the enormous proportions at which this trade has now arrived, to see with his own eyes the ghastly effects that it produces on the population and the menace that it is to the rest of the world.”

“Without attempting to give you a complete account of the narcotic industry and conditions in Manchuria and Jehol, I will quote some sentences from reports received:”

“In the city of Harbin, there are today no less than 300 heroin dens without counting those in the city of Foochiatien, which is practically part of Harbin.”

“These dens are visited daily by about 50,000 addicts of Chinese, Russian and Japanese nationality. Besides the heroin dens, there are in Harbin and Foochiatien 102 authorized opium saloons which also sell heroin. The number of clients of these dens is about 20 Europeans and 300 Chinese for each den daily.”

“Practically one quarter of the one million inhabitants of these two cities are addicts. During the last two years, there have been in Harbin many Japanese addicts, especially among the soldiers and officers of the Japanese army.”

“During the very severe Harbin winters, many addicts die in the streets; their corpses are left for days in the streets and nobody bothers to take them away, even the dogs sometimes will not eat them.”

“The supply of drugs is not manufactured in Harbin itself. It comes entirely from the Japanese Concession in Mukden and from Dairen. It is from Dairen that thousands of letters containing drugs are posted to the United States, Egypt and elsewhere.”

“The Japanese Concession in Tientsin is now known as the nerve centre of heroin manufacture and addiction of the world. The number of opium and heroin dens which go under the name of Yang Hang or foreign firm, number well over a thousand, in addition there are hundreds of hotels, shops and other establishments where white drugs are openly sold. Not less than 200 heroin factories are scattered over the Japanese Concession, which is only about four square miles in size. Over 1,500 Japanese experts and 10,000 Chinese workmen are engaged in the manufacture of heroin.”

“To the traffickers, of course, the foreign and especially the American trade, is the most profitable. Most of the narcotics intercepted abroad bear a mark of Chinese origin. The reason

14 Manchuria was maintained by the Manchu emperors as a private hunting ground and allowed no agricultural development.
15 There were severe penalties for any Japanese caught smoking opium or any other habit-forming drug in Manchuria. Vespa, op. cit. p. 101, quotes from a booklet distributed to Japanese soldiers in Manchuria, ic. “The use of narcotics is unworthy of a superior race like the Japanese. Only inferior races, races that are decadent like the Chinese, the Europeans, and the East Indians are addicted. This is why they are destined to become our servants and eventually disappear.”
for this is simple; Japanese law does not allow export of drugs to foreign countries from Japan or via Japan, therefore it becomes necessary to ship the goods to foreign ports via Shanghai and in some cases direct from Tientsin."

"I have made a careful calculation and estimate that 5000 kilogramme or more of heroin are shipped weekly direct from Tientsin. This quantity is divided roughly as follows: 60 per cent direct to the United States, 30 per cent to the United States via European countries and ports, and the remaining 10 per cent to other countries including Egypt."

"We should not be far short off the mark if we said that 90 per cent of all the illicit white drugs of the world are of Japanese origin, manufactured in the Japanese Concession of Tientsin, around Tientsin, in and around Dairen or in other cities of Manchuria, Jehol and China, and this is always by Japanese or under Japanese supervision. As for the conditions in the dens of the Japanese Concession, words fail when I attempt to describe the revolting and terrible conditions. The dens are dark, the filth is revolting and the scenes ghastly. Chinese, Russians, foreigners lie about on dirty wooden boards, as also children of two and three years old, already idiot drug addicts, with swollen heads and thin transparent bodies."

In order to encourage the cultivation of the opium poppy, the Japanese in Manchuria issued notices to farmers in the name of the local hsien (district) magistrates, urging them to grow the plant as required and set forth the following incentives and rewards to the cultivators:

1. That those who cultivate opium poppy as required shall be freed from paying their land tax.
2. That those who cultivate more than five mows shall be free from compulsory military service in addition to the reward specified in (1).
3. That those who cultivate more than twenty mows shall be presented with a certificate of honour by the local hsien government in addition to the rewards in (1) and (2).
4. That those who cultivate more than fifty mows shall be qualified as village or district elders and shall be listed as candidates for public service, in addition to the rewards in (1), (2) and (3).
5. That Opium Distribution Cooperative Societies shall be established in the six districts concerned under the joint auspices of Japanese firms and local hsien governments. These cooperative societies shall buy opium from the farmers at the fixed price of 60 cents per tael and undertake to push the sale of these drugs in the North China area under Japanese protection. In this way the financial conditions of these hsien districts will be greatly benefitted.

The Japanese soon met opposition to this project as the majority of Manchurian farmers preferred to cultivate edible crops such as grain or rice owing to the perpetual food shortage. Even so, the Japanese continued to encourage them to plant opium and, when this method failed, the farmers were forced to grow the plant. The growing of opium poppy increased until:"Only one crop is in good shape, and that is the poppy plant for opium. I have never seen so much of it in all my years in China put together. Our city is surrounded with it, even to the suburb walls. Throughout the country where-ever one turns, one sees the fields in full bloom. It is all irrigated and hasn't suffered from the drought."97

The Japanese version regarding opium in Manchuria was a completely different story. The "Third Report of Progress in Manchuria", published by the South Manchurian Railway Company, paints a glowing picture of Japan's untiring efforts to reduce opium cultivation and distribution as well as aid in the rehabilitation of addicts. I quote:

"Opium smoking is one of the long-standing habits of the Chinese in Kwantung Province, as in China proper. When this leased territory was under Russian administration, no special measure was taken to control the vice beyond collecting a tax from opium dens. Under the Japanese it was decided to remedy the evil by gradual steps. For more effective methods of control the (Japanese) government for some time contemplated the adoption of a monopoly following the example of the (Japanese) government in Formosa. Furthermore, Japan being one of the signatories of the International Opium Agreement of Geneva, the Kwantung Government finally, on July 26, 1928, adopted the government monopoly of opium. The government directly deals in the purchase and distribution of the drug and control smokers, gradual suspension and ultimate disappearance of the plant is the aim. The following table shows the percentage of opium addicts against the whole population in Kwantung Province in recent years."

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Chinese in Kwantung</th>
<th>Number of listed smokers</th>
<th>Percentage of addicts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1924</td>
<td>638,133</td>
<td>28,252</td>
<td>4.43</td>
</tr>
<tr>
<td>1925</td>
<td>665,989</td>
<td>29,521</td>
<td>4.43</td>
</tr>
<tr>
<td>1926</td>
<td>677,602</td>
<td>29,172</td>
<td>4.30</td>
</tr>
<tr>
<td>1927</td>
<td>706,975</td>
<td>31,062</td>
<td>4.39</td>
</tr>
<tr>
<td>1928</td>
<td>733,711</td>
<td>31,176</td>
<td>4.25</td>
</tr>
<tr>
<td>1929</td>
<td>768,693</td>
<td>30,858</td>
<td>4.01</td>
</tr>
</tbody>
</table>

"Regarding opium control in the Japanese Railway Zone, the Government monopoly does not extend to the Zone. Japanese officials in the Railway Zone are authorized to control opium-smoking and to prevent illicit trade. The Japanese authorities here have complete jurisdiction only over Japanese subjects. As regards Chinese and foreigners, they are subjected only to Japanese police authority who have power to arrest and seize all illicit drugs found in the Zone in case of contravention of the opium regulations. For punishment, non-Japanese offenders are handed over to the local Chinese authorities or foreign consulates, where the offender is a Chinese or foreign national."68


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This rosy picture that the Japanese authorities painted of the drug situation in Manchuria can be contrasted with the following evidence given before the I.M.T.F.E.:

“The Board of Opium Suppression, under the domination of the Japanese advisors therein, was not to suppress opium at all, but to legalize the selling of opium.”

“Though there were Chinese who participated in the Meng-Kiang Opium Corporation, it was the Japanese who controlled everything.”

Or again, “It was perfectly obvious that the open sale of opium in China was approved and sponsored by the Japanese government for the purpose of weakening and undermining the strength of the Chinese people.”

The above statement is supported by Doihara Kenji who was reported to have said, “To kill people with bombs and shells costs money; but to kill them with drugs, and to reap large profits thereby, is not only good business but also brilliant military strategy”.

Even with the enormous amounts of opium being produced in Manchuria and Jehol Province, the demand was greater than the supply, inasmuch that the Japanese found cause to resort to the purchasing of opium from overseas. The proceedings of the I.M.T.F.E. tells of one such transaction with Iran:

“Iranian opium deal of 1939. Seventy-two kilogrammes per case were purchased at the officially fixed price of 125 pounds (sterling). The deal was handled by the Mitsubishi Trading Company who imported 200 cases into the Kwangtung Leased Territories and a further 2,800 cases into Manchuria proper. One thousand one hundred and fifty cases were imported into China proper through the good offices of the Mitsui Bussan Kaisha.”

It appears from the above (as well as other sources) that two of the largest monopolies (zaibatsus) in Japan had their own particular spheres of operation on the Asian continent. Other countries supplying Japan with opium were Formosa (which had been a Japanese colony since 1895), and Amoy.

The distribution of opium in Manchuria was handled by the Special Service Organ of the Kwangtung Army (see page 7), and later in China by the Ko-A-In or China Affairs Board who reaped enormous profits from its sale.

Besides the distribution and sale of opium, morphine, and cocaine, the Japanese held a monopoly on prostitution in Manchuria. During the first year of “Manchukuo”, more than 70,000 Korean and Japanese prostitutes were “imported” into the country. But this was still insufficient; the people of Manchuria were bled white by taxes and duties. Taxes for weddings and funerals, duties for the privilege of having a new compulsory house number, taxes for cutting ice in the Sungari River; for the numberless stamps, seals, counter signatures and receipts on every transfer of property or business contract; even for the duty of having one’s chimney swept every month. The most astute businessman could only remain in business in Manchuria if he was prepared to loose about forty per cent of his profits in taxes and duties. The Japanese and Koreans who ran the racketes had to pay in their turn too. First they paid for the monopolies and then many times again to secret policemen who backed up their extortion with torture and terror. Emissaries from the highest governmental positions in Tokyo collected once from the concessionaires and again from the secret policemen for giving them their appointments. In Tokyo the best of these jobs were auctioned off at many times their worth and the money made in Manchuria eventually found its way back to Tokyo.

Those who fell foul of the police could expect no mercy, the police in Manchuria continued to act in the same way they had done twenty years previously in Siberia where, in the words of Lenin: “The Japanese Expeditionary Forces in Siberia performed unheard of beastialities, combining the most modern technical implements with downright Asiatic torture.” And, judging from the performance of the Japanese in Nanking and elsewhere during the Sino-Japanese and Second World War, it would appear that this tendency had been continued.

With the outbreak of the war in China following the Marco Polo Bridge Incident of July 7, 1937, Manchuria faded into the background more than ever. All eyes were turned to China and the world had little or no interest in such a backwater. However, in 1945 with the ending of the Pacific War, Manchuria came into the headlines again by reason of its invasion by the Soviet Union and the subsequent takeover by the Chinese Communists.

Three wars which Japan had fought succeeded in building up her Empire and turning her into one of the most powerful countries in the world. The Sino-Japanese War of 1894 – 95, the Russo-Japanese War of 1904 – 5, and World War I, 1914 – 18. The Sino-Japanese War had written off Korea to Japan; the Russo-Japanese War had brought Japanese penetration of Manchuria; and World War I had made Japan hegemonic in the Far East. The Japanese Empire, built by war, was eventually destroyed by war.

With the surrender of Japan in 1945, the “state” of Manchukuo vanished as if it had never existed, as did the “vested right”, “special rights”, and “special interests” seized by Japan before the creation of Manchukuo.

On December 1, 1943, during the Pacific War, the heads of state of the three major powers at war with Japan; the United States, United Kingdom and China, met at Cairo to decide the terms which would be presented to Japan following her surrender. The Cairo Conference declared in part:

......that Japan shall be stripped of all the islands in the Pacific which she has seized and occupied since the beginning of the First World War in 1914, and that all the territories that Japan has stolen from China, such as Manchuria, Formosa and the Pescadores, shall be

41 I.M.T.F.E. Document 9251, p. 4,801.
42 Ibid. Exhibit 383, pp. 4,860-4,861.
43 Bergamini, op. cit. p. 528.
44 Ibid. p. 529.
restored to the Republic of China.

The Cairo Declaration was reaffirmed by the same three powers at the Potsdam Conference of July 26, 1945 and subscribed to by the Soviet Union when the latter joined the war against Japan on August 8, six days before the Japanese surrender.

However, as the result of a secret deal made at Yalta on February 11, 1945, by President Roosevelt and Prime Minister Churchill with Premier Stalin, Soviet Russia was given important concessions in Manchuria in return for joining the powers in their war against Japan which completely restored the former Tsarist Russian position in that country of 1904.

This agreement was made without the knowledge of China and, from the point of view of international law, the fact that China did not participate in the Yalta Conference makes any decision concerning China non-binding. However, China was forced to accept and legalize this decision in the Sino-Russian Treaty of Friendship and Alliance concluded on August 14, 1945, the very day that Japan accepted the American terms of surrender. The concessions granted to the Soviet Union through the Sino-Russian Treaty of 1945 provided for: (1) the Chinese Changchun Railway (a combination of the Chinese Eastern Railway and the South Manchurian Railway) to be jointly operated by the Soviet Union and China; (2) Dairen to be opened as a free port, and all Soviet through imports and exports to be shipped over the Chinese Changchun Railway free of customs duties; and (3) Port Arthur to become a naval base of Soviet-Chinese use.

On V-J Day various powers converged on Manchuria. Dominating all aspects of the Chinese domestic scene was the old unsettled conflict between the Nationalists, commanding the government, and the Chinese Communists possessing their own army. With the victory over Japan, the mutual antagonisms of both camps were released from their temporary restraints and hostility between the two was a foregone conclusion.

The American position in relation to the Nationalists and Communists was made clear in August of 1945 with General MacArthur’s Order No. 1 which stipulated that the Japanese surrender in China, excluding Manchuria, should be made to Generalissimo Chiang Kai-shek. American support for the Nationalists blocked the Chinese Communists from a quick seizure of power in North China; in Manchuria, however, where the Red Army was in control, the United States could not aid the Nationalists militarily for fear of antagonizing the Soviet Union.

The United States aid to the Nationalists in North China consisted of the sending of fifty-three thousand U.S. Marines to that area who then proceeded to occupy Peking, Tiensin, the Kailin coal mines and the Peking-Shanhaikuan railway. U.S. naval vessels were employed to transport 500,000 Nationalist troops into East and North China to occupy the main towns and communication lines and restore Chungking's authority. As the Soviet Union was viewed as the temporary custodian of Manchuria, the Nationalists drafted plans for the new administration of the country and named General Hsiung Shih-hui as the official in charge of over-all affairs.

Thus the occupation of Manchuria was being planned by the Nationalists and Chiang Kai-shek was massing his best troops for the proposed take-over. However, the situation in Manchuria did not wait. By September of 1945 General Lin-Piao began the movement of 80,000 Chinese Communist regulars from Northern China and Chahar Province into Manchuria by land and sea. More Communist troops moved into Manchuria via the Gulf of Peihiti in junk’s or through Chahar or Jehol Province. By December, Communist troops in Manchuria had reached 130,000.

Many of the Communist troops introduced into Manchuria came unarmed. However, the Soviets had previously disarmed the Manchukuo Army, numbering at least 32 divisions, as well as Japanese formations. Thus, manpower in Manchuria was plentiful and, although the Nationalists spurned the use of former enemy troops, the Communists did not. Further, the Soviets had stripped the country of almost all heavy industrial equipment and shipped it to Siberia, however, there was an enormous amount of light equipment and weapons remaining in Manchuria which the Communists made good use of. Thus the Communists received in Manchuria a trained army and all the matériel for it.

The Nationalists on their part were hampered in their attempts to enter Manchuria by the Soviets who refused entry into Dairen of the United States 7th Amphibious Force loaded with Nationalist troops. These troops were finally disembarked at Huiluoao and Yingkow only to discover that the Soviets had departed and the ports were in the hands of the Chinese Communists. Thus as the Soviets pulled out of all strategic positions in Manchuria, the Chinese Communists stepped in.

Fighting broke out between Nationalists and Communists at various positions throughout Manchuria and, although the Americans mediated between Chiang Kai-shek and Cho En-Lai, their efforts proved to be futile. By December of 1946 the situation had grown from bad to worse; a month later, the Chinese Civil War, suspended in 1937 to enable the nation to fight Japan, had been resumed. By 1949 the Chinese Communists had succeeded in forcing the Nationalists led by Chiang Kai-shek to remove themselves from the mainland and continue a precarious existence on the island of Formosa.

One wonders what the situation would have been if the Soviet Union had not attacked Manchuria in the closing days of the Pacific War. For Stalin, the attack on Manchuria had a threefold purpose; if the Chinese Communists gained power in that country they would be dependent on Russia for the build-up of industry (as the Red Army had stripped the country of all material belonging to enterprises which had rendered service to the Japanese Army, and was regarded by the Soviets as "war booty"). If the Nationalists had emerged victorious they would have been left with a wasteland in Manchuria. But, the third

The Soviets had left untouched numerous dumps of light arms (estimated at 600,000 tons) which the Chinese Communists found indispensable in their fight with the Nationalists.
reason for Stalin’s invasion of Manchuria was one of revenge. In Stalin’s speech on the day of Japan’s surrender he dwelt to an extraordinary degree on the victory over Japan being Russia’s revenge for her defeat in the Russo-Japanese War of 1904 — 1905. He recalled that, taking advantage of the weaknesses of the Tsarist Government, Japan had perfidiously attacked the Russian Navy at Port Arthur in almost exactly the same way as she was to attack the U.S. Navy at Pearl Harbour thirty-seven years later. He continued:

......Russia was defeated in that war. As a result, Japan grabbed Southern Sakhalin and firmly established herself in the Kuriles, thus padlocking our exists to the Pacific......This defeat of the Russian troops in 1904 left a bitter memory in the minds of our people. Our people waited and believed that this blot would someday be erased. We, people of the older generation, waited for this day for forty years. Now this day has come.77

There were fireworks that night in the Red Square to celebrate the victory over Japan; but barely one-tenth of the crowd that had turned out to celebrate the victory over Germany was present.

In Japan, the population waited fearfully for the coming of the victorious barbarians who would, as the Japanese had been indoctrinated to believe, kill all the men, rape all the women and eat the children.

Japan’s Foreign Minister, Shigemitsu on his return from signing the surrender on the Missouri, asked the Emperor: “Would it have been possible for us, if we had won, to embrace the vanquished with such magnanimity?” To which Hirohito replied, “Naturally, it would have been different”.


APPENDIXES

APPENDIX “A”

THE EXPANSION OF JAPANESE RULE

Within a few decades following the Meiji Restoration of 1868, Japan evolved from a small feudal principality, voluntarily shut off from the rest of the world, to the status of a Great Power whose influence was felt in every quarter of the globe. In 1868, the population of Japan numbered 33 million. By 1932 the Japanese Empire, excluding Manchuria, had 92 million subjects, a total surpassed only by the United States, the United Kingdom, Russia and China.

The Consolidation of Japan Proper:

At the time of the Meiji Restoration Japan consisted of four large islands: Hokkaido, Honshu, Shikoku and Kyushu, and a peripheral zone of 4,068 islands. The total land area was 146,689 square miles. The country was economically self-sufficient; and the population had been stationary for more than a century and a half.

The first instances of expansion should be regarded as the realization of nominal claims of sovereignty. In 1875 the Kuriles, a chain of thirty islands lying to the northwest, were formally annexed. The islands had a primitive economy, furs and fish being the principal exports. Two years later Japan acquired the Bonin Islands after a period of contested ownership with the United States. These are a group of 27 islands with a population (at that time) of 5,000; they have a vegetation of tropical luxuriance and possess many valuable woods. (The adjoining Volcano Islands were annexed in 1891).

In 1879 the Lu-Chu’s were annexed by virtue of Japan’s position as feudal overlord. The Lu-Chu’s form an archipelago of 55 islands. The soil is fertile, the crops are fairly diversified, sugar being the most important. The people are from the same racial stock as the Japanese.

Formosa (Taiwan) was acquired from China in 1895 as a result of the Sino-Japanese War. This is a tropical island situated a hundred miles off the coast of China with a land area of 13,840 square miles. It was Japan’s tropical store-house par excellence. Tea, rice, lumber and sugar are produced in abundance, sugar being considered the most important for the future development of the island. Camphor woods are extensive and the world output of camphor in the early 20th century was virtually controlled by Japan. During the early 1930’s Formosa and the neighbouring Pescadores had a population of 4.6 million, of which 94 per cent were Chinese. The Japanese, though only 5 per cent, of the total population, controlled the island’s political and economic life.

Korea (Chosen) economic preponderance in the independent kingdom of Korea (85,613 square miles) was granted to Japan in 1905 as a result of the Russo-Japanese War. Formal annexation came in 1910. Korea is mainly agricultural, the chief crops being wheat, barley, rice and the soya bean. In 1910 the population was 20.5 million, of whom only 2.5 per cent were Japanese. Here, too, the Japanese colonists dominated the political and economic life.

Sakhalin By the Treaty of Portsmouth in 1905, Russia gave all of the islands south of the fiftieth parallel to Japan. The Japanese part, Karafuto, has a land area of 14,000 square miles. The island has a cold, foggy climate with only one hundred days

The population remained stationary as the result of a practice known as “mabiki” or “shining” by which unwanted children (especially females) were murdered at birth. As the years went by this practice became more like a ritual and was carried out even by the ruling classes.
Japan is very deficient. As an outlet for population and as a source of raw materials, Manchukuo was invaluable to overcrowded industrialized Japan.

This brief sketch of the growth of the Japanese Empire reveals several significant facts. In the first place it was an affair of logic. It began with the plan of Emperor Meiji and was further advanced by Premier Tanaka in his “Memorandum.” Expansion into the Pacific and over the Asian Continent was simultaneous, causing Japan to become both a naval and a land power. Many of the Japanese gains were made at the expense of China, and this despite the fact that the two powers have only formally been at war for a few months in a sixty-year period. Thirdly, the number of Japanese in the colonies was never large. Only 5 per cent of the population of Formosa were Japanese; in Korea the proportion was only 2.5 per cent; and in Manchukuo 2.7 per cent. Fourthly, all territory acquired prior to 1931 was gained as the spoils of war or through legal means; Manchuria was not.

Lastly, the Japanese possessions were so separated as to form two cordonsof defense against any approach to the East Asian Continent by sea. The inner defense lay along the line of the islands of Japan proper, extending northest to the Kuriles and southwest to Formosa. The outer cordon was a great arc, beginning on the Japanese mainland behind Tokyo, reaching east and south to the Bonin Islands, passing through Yap, and terminating south of the Philippines. Inside these two strategic lines, Tokyo could exercise its naval strength as it chose. Japan was, indeed, free to become a continental power as she already was, in the 1930’s a Pacific power.

APPENDIX “B”

THE TANAKA MEMORIAL

Presented to the Emperor of Japan on July 25, 1927, by Premier Tanaka Giichi, outlining the Positive Policy in Manchuria.

Since the European War, Japan’s political as well as economical interests have been in an unsatisfied condition. This is due to the fact that we have failed to take advantage of our special privileges in Manchuria and Mongolia and fully to realize our acquired rights. But upon my appointment as Premier, I was instructed specially to guard our interests in this region and watch for opportunities for further expansion. Such injunctions one cannot take lightly. Even since I adopted a positive policy towards Manchuria and Mongolia as a common citizen, I have longed for its realization. So in order that we may lay plans for the colonization of the Far East and the development of our new continental empire, a special conference was held from June 27th to July 7th lasting in all eleven days. It was attended by all the civil and military officers connected with Manchuria and Mongolia, whose discussions result in the following resolutions. These we respectfully submit to Your Majesty for consideration.

General Considerations

The term Manchuria and Mongolia includes the provinces of Kirin, Heilungkiang and Outer and Inner Mongolia. It extends an area of 74,000 square miles, having a population of 28,000,000 people. The territory is more than three times as large as our own empire not counting Korea and Formosa, but it is inhabited by only one third as many people. The at-
tractiveness of the land does not arise from the scarcity of population alone; its wealth of forestry, minerals and agricultural products is also unrivalled elsewhere in the world. In order to exploit these resources for the perpetuation of our national glory, we created specially the South Manchurian Railway Company. The total investment involved in our undertakings in railway, shipping, mining, forestry, steel manufacture, agriculture and cattle raising, as schemes pretending to be mutually beneficial to China and Japan, amounts to no less than Yen 440,000,000. It is veritably the largest single investment and the strongest organization of our country. Although nominally the enterprise is under the joint ownership of the Government and the people, in reality the government has complete power and authority. In so far as the South Manchurian Railway Company is empowered to undertake diplomatic, police and ordinary administrative functions so that it may carry out our imperialistic policies the company forms a peculiar organization which has exactly the same powers as the Governor-General of Korea. This fact alone is sufficient to indicate the immense interests we have in Manchuria and Mongolia. Consequently the policies towards this country of successive administrations since Meiji are all based on his injunctions, elaborating and continuingly completing the development of the new continental empire in order to further the advance of our national glory and prosperity for countless generations to come.

Unfortunately, since the European War there have been constant changes in diplomatic as well as domestic affairs. The authorities of the Three Eastern Provinces are also awakened and gradually work toward reconstruction and industrial development following our example. Their progress is astonishing, it has affected the spread of our influence in a most serious way, and put us to so many disadvantages that the dealings with Manchuria and Mongolia of successive governments have resulted in failure. Furthermore, the restrictions of the Nine Power Treaty signed at the Washington Conference have reduced our special rights in Manchuria and Mongolia to such an extent that there is no freedom left for us. The very existence of our country is endangered. Unless these obstacles are removed, our national existence will be insecure and our national strength will not develop. Moreover, the resources of wealth are congregated in North Manchuria. If we do not have the right of way here, it is obvious that we shall not be able to tap the riches of this country. Even the resources of South Manchuria which we won by the Russo-Japanese War will also be greatly restricted by the Nine Power Treaty. The result is that while our people cannot migrate into Manchuria as they please, the Chinese are flowing in as a flood. Hordes of them move into the Three Eastern provinces every year, numbering in the neighbourhood of several millions. They have jeopardized our acquired rights in Manchuria and Mongolia to such an extent that our annual surplus population of eight hundred thousand have no place to seek refuge. In view of this we have to admit our failure in trying to effect a balance between our population and food supply. If we do not devise plans to check the influx of Chinese immigrants immediately, in five years' time the number of Chinese will exceed 6,000,000. Then we shall be confronted with greater difficulties in Manchuria and Mongolia.

It will be recalled that when the Nine Power Treaty was signed which restricted our movements in Manchuria and Mongolia, public opinion was greatly aroused. The late Emperor Taisho called a conference of Yamagata and other high officers of the army and the navy to find a way to counteract this new engagement. I was sent to Europe and America to ascertain secretly the attitude of the important statesmen toward it. They were all agreed that the Nine Power Treaty was initiated by the United States. The other powers that signed it were willing to see that our influence in Manchuria and Mongolia increase in order that we may protect the interests of international trade and investment. This attitude I found out personally from the political leaders of England, France and Italy. The sincerity of these expressions could be depended upon. Unfortunately just as we were about to carry out our policy and declare void the Nine Power Treaty with the approval of those whom I met on my trip, the Seiyukai cabinet suddenly fell and our policy failed of fruition. It was indeed a great pity. After I had secretly exchanged views with the Powers regarding the development of Manchuria and Mongolia, I returned by way of Shanghai. At the wharf there a Chinese attempted to take my life. An American woman was hurt, but I escaped by the divine protection of my emperors of the past. It seems that it was by divine will that I should assist Your Majesty to open a new era in the Far East and to develop the new continental empire.

The Three Eastern Provinces are politically the imperfect spot in the Far East. For the sake of self-protection as well as the protection of others, Japan cannot remove the difficulties in Eastern Asia unless she adopts a policy of "Blood and Iron". But in carrying out this policy we have to face the United States which has been turned against us by China's policy of fighting poison by poison. In the future, if we want to control China, we must first crush the United States just as in the past we had to fight in the Russo-Japanese War. But in order to conquer China we must first conquer Manchuria and Mongolia. In order to conquer the world, we must first conquer China. If we succeed in conquering China, the rest of the Asiatic countries and the South Sea countries will fear us and surrender to us. Then the world will realize that Eastern Asia is ours and will not dare violate our rights. This is the plan left to us by Emperor Meiji, the success of which is essential to our national existence.

The Nine Power Treaty is entirely an expression of the spirit of commercial rivalry. It was the intention of England and America to crush our influence in China with their power of wealth. The proposed reduction of armaments is nothing but a means to limit our military strength, making it impossible for us to conquer the vast territory of China. On the other hand, China's resources of wealth will be entirely at their disposal. It is merely a scheme by which England and America may defeat our plans. And yet the Minseito made the Nine Power Treaty the important thing and emphasized our trade rather than our
rights in China. This is a mistaken policy — a policy of national suicide. England can afford to talk about trade relations only because she has India and Australia to supply her with foodstuff and other materials. So can America because South America and Canada are there to supply her needs. Their spare energy could be entirely devoted to developing trade in China to enrich themselves. But in Japan her food supply and raw materials decrease in proportion to her population. If we merely hope to develop trade, we shall eventually be defeated by England and America who possess unsurpassable capitalistic power. In the end, we shall get nothing. A more dangerous factor is the fact that the people of China might some day wake up. Even during these years of internal strife, they can still toil patiently, and try to imitate and displace our goods so as to impale the development of our trade. When we remember that the Chinese are our sole customers, we must beware lest some day when China becomes unified and her industries become prosperous. Americans and Europeans will compete with us; our trade in China will be wrecked. Mineito’s proposal to uphold the Nine Power Treaty and to adopt the policy of trade toward Manchuria is nothing less than a suicidal policy.

After studying the present conditions and possibilities of our country, our best policy lies in the direction of taking positive steps to secure rights and privileges in Manchuria and Mongolia. These will enable us to develop our trade. This will not only forestall China’s own industrial development, but will also prevent the penetration of European Powers. This is the best policy possible.

The way to gain actual rights in Manchuria and Mongolia is to use this region as a base and under the pretense of trade and commerce penetrate the rest of China. Armed by the rights already secured we shall seize the resources all over the country. Having China’s entire resources at our disposal we shall proceed to conquer India, the Archipelago Asia Minor, Central Asia and even Europe. But to get control of Manchuria and Mongolia is the first step if the Yamato race wishes to distinguish themselves on Continental Asia. Final success belongs to the country having food-supply; industrial prosperity belongs to the country having raw materials; the full growth of national strength belongs to the country having extensive territory. If we persuade a positive policy to enlarge our rights in Manchuria and China, all these prerequisites of a powerful nation will constitute no problem. Furthermore, our surplus population of 700,000 each year will also be taken care of. If we want to inaugurate a new policy and secure the permanent prosperity of our the only way.

Manchuria and Mongolia — Not Chinese Territory

Historically considered, Manchuria and Mongolia are neither China’s territory nor her special possessions. Dr. Yano has made an extensive study of Chinese history and has come to the positive conclusion that Manchuria and Mongolia never were Chinese territory. The fact was announced to the world on the authority of the Imperial University. The accuracy of Dr. Yano’s investigations is such that no scholars in China have contested his statement. However, the most unfortunate thing is that in our declaration of war with Russia, our government openly recognized China’s sovereignty over these regions and later again at the Washington conference when we signed the Nine Power Treaty. Because of these two miscalculations (on our part) China’s sovereignty in Manchuria and Mongolia was established in diplomatic relations, and our interests were seriously injured. In the past, although China speaks of the Republic of five races, yet Tibet, Sinkiang, Mongolia and Manchuria have always remained special areas and the princes are permitted to discharge their customary functions. Therefore, in reality the sovereign power over these regions resides with the princes. When the opportunity presents itself, we should make known to the world the actual situation there. We should also wedge our way into Outer and Inner Mongolia in order that we may reform the mainland. So long as the princes there maintain their former administration, the sovereign rights are clearly in their hands. If we want to enter these territories, we may regard them as the ruling power and negotiate with them for rights and privileges. We shall be afforded excellent opportunities and our national influence will increase rapidly.

Positive Policy in Manchuria

As to the rights in Manchuria, we should take forceful steps on the basis of the Twenty-One Demands and secure the following in order to safeguard the enjoyment of the rights which we have secured so far: —

1. After the thirty-year commercial lease terminates, we should be able to extend the term at our wish. Also the right of leasing land for commercial, industrial and agricultural purposes should be recognized.

2. Japanese subjects should have the right to travel and reside in the eastern part of Mongolia, and engage in commercial and industrial activities. As to their movements, China should allow them freedom from Chinese law. Furthermore, they must not be subject to illegal taxation and unlawful examination.

3. We must have the right of exploiting the nineteen iron and coal mines in Fengtien and Kirin, as well as the right of timbering.

4. We should have priority for building railroads and option for loans for such purposes in South Manchuria and Eastern Mongolia.

5. The number of Japanese political, financial and military advisers and training officers must be increased. Furthermore, we must have priority for furnishing new advisers.

6. The right of stationing our Police over the Koreans (in China).

7. The administration and development of the Kirin-Changchun railway must be extended to 99 years.

\(^1\) Tokyo (Imperial) University.
8. Exclusive right of sale of special products — priority of shipping business to Europe and America.
11. In case money is needed for the redemption of the Chinese Eastern Railway, the Japanese Government must have the first opportunity of making loans to China.
12. Harbour rights at Antung and Yinkou and the right of through transportation.
13. The right of partnership in establishing a Central Bank of the Three Eastern Provinces.

Positive Policy Towards Inner and Outer Mongolia

Since Manchuria and Mongolia are still in the hands of the former princes, in the future we must recognize them as the ruling power and give them support. For this reason, the daughter of General Fukushima, Governor of Kwangtung, risked her life among the barbarous Mongolian people of Tushiyeh to become advisor to their Prince in order that she might serve the Imperial Government. As the wife of the Prince Ruler is the niece of Manchu Prince Su, the relationship between our Government and the Mongolian Prince became very intimate. The princes of Inner and Outer Mongolia have all shown sincere respect for us, especially after we allured them with special benefits and protection. Now there are nineteen Japanese retired military officers in the house of Tushiyeh. We have already acquired monopoly rights for the purchase of wool, for real estate and for mines. Hereafter we shall send secretly more retired officers to live among them. They should wear Chinese clothes in order to escape the attention of the Mukden Government. Scattered in the territory of the Prince, they may engage themselves in farming, herding or the dealing in wool. As to the other principalities, we can employ the same method as in Tushiyeh. Everywhere we should station our retired military officers to dominate in the Princes' affairs. After a large number of our people have moved into Inner and Outer Mongolia, we shall then buy lands at one-tenth of their worth and begin to cultivate rice where feasible in order to relieve our shortage of food supply. Where the land is not suitable for rice cultivation, we should develop it for cattle raising and horse breeding in order to replenish our military needs. The rest of the land could be devoted to the manufacture of canned goods which we may export to Europe and America. The fur and leather will also meet our needs. Once the opportunity comes, Outer and Inner Mongolia will be ours outright, while the sovereign rights, are not clearly defined and while the Chinese and the Soviet Governments are engaging their attention elsewhere, it is our opportunity quietly to build up our influence. Once we have purchased most of the land there, there will be no room for dispute as to whether Mongolia belongs to the Japanese or the Mongolians. Aided by our military prowess, we shall realize our positive policy. In order to carry out this plan, we should appropriate Yen 1,000,000 from the "secret funds" of the Army Department's budget so that four hundred retired officers disguised as teachers and Chinese citizens may be sent into Inner and Outer Mongolia to mix with the people, to gain the confidence of the Mongolian princes, to acquire from them rights for pasturage and mining and to lay the foundation of our national interest for the next hundred years.

Encouragement and Protection of Korean Immigration

Since the annexation of Korea, we have had very little trouble. But President Wilson's declaration of the self-determination of races after the European War has been like a divine revelation to the suppressed peoples. The Koreans are no exception. The spirit of unrest has permeated the whole country. Both because of the freedom they enjoy in Manchuria due to an incompetent police system and because of the richness of the country, there are now in the Three Eastern Provinces no less than 1,000,000 Koreans. The unlooked-for development is fortunate for our country indeed. From a military and economic standpoint, it has greatly strengthened our influence. From another standpoint, it gives new hope for the administration of Koreans. They will both be the Vanguard for the colonization of virgin fields and furnish a link of contact with the Chinese people. On the one hand we could utilize the naturalized Koreans to purchase land for rice cultivation, on the other we could extend to them financial aid through the Cooperative Society, the South Manchurian Railway, etc., so that they may serve as the spearhead of our economic penetration. This will give relief to our problem of food supply, as well as open a new field of opportunity for colonization. The Koreans who have become naturalized Chinese are Chinese only in name; they will return to our fold eventually. They are different from those naturalized Japanese in California and South America. They are naturalized as Chinese only for temporary convenience, when their numbers reach two million and a half or more, they can be instigated to military activities whenever there is the necessity, and under the pretense of suppressing the Koreans we could bear them aid. As not all the Koreans are naturalized Chinese, the world will not be able to tell whether it is the Chinese Koreans or the Japanese Koreans who create the trouble. We can always sell dog's meat with a sheep's head as a sign-board.

Of course while we could use the Koreans for such purposes, we must beware of the fact that the Chinese could also use them against us. But Manchuria is as much under our jurisdiction as under Chinese jurisdiction. If the Chinese could use the Koreans to hamper us, then our opportunity of war against China is at hand. In that event, the most formidable factor is Soviet Russia. If the Chinese should use the "Reds" to influnce the Koreans, the thought of our people will change and great peril will befal us. Therefore, the present Cabinet is taking every precaution against this eventuality. If we want to make use of the Koreans to develop our new continental empire, our protection and regulations for them must be carefully worked out. We should
increase our police force in North Manchuria under the terms of the Mitsuya Treaty so that we may protect the Koreans and give them help in their rapid advance. Furthermore, the Eastern (Oriental) Development Company (Totsuka Kaisha) and the South Manchurian Railway Company should follow then to given them financial aid. They should be given especially favourable terms so that through them we may develop Manchuria and Mongolia and monopolize the commercial rights. The influx of Koreans into these territories is of such obvious importance both for economic and military considerations that the Imperial Government cannot afford not to give it encouragement. It will mean new opportunities for our empire. Since the effect of the Lansing-Ishii Agreement was lost after the Washington Conference, we can only recover our interests through the favorable development arising out of the presence of several millions of Koreans in Manchuria. There is no grounds in international relations for raising any objection to this procedure.

Railroads and Development of our New Continent

Transportation is the mother of national defence, the assurance of victory and the citadel of economic development. China has only 7,200 to 7,300 miles of railroads, of which three thousand miles are in Manchuria and Mongolia constituting two-fifths of the whole. Considering the size of Manchuria and Mongolia and the abundance of natural products, there should be at least five or six thousand miles more. It is a pity that our railroads are mostly in South Manchuria, which cannot reach the source of wealth in the northern parts. Moreover, there are too many Chinese inhabitants in South Manchuria to be wholesome for our military and economic plans. If we wish to develop the natural resources and strengthen our national defence, we must build railroads in Northern Manchuria. With the opening of these railroads we shall be able to send more people (Japanese) into Northern Manchuria. From this vantage ground we can manipulate political and economical development in Southern Manchuria, as well as strengthen our national defence in the interest of peace and order in the Far East. Furthermore, South Manchuria was built mainly for economic purposes. It lacks encircling lines necessary for military mobilization and transportation. From now on we must take military purposes as our object and build circuit lines to circle the heart of Manchuria and Mongolia in order that we might hamper China’s military, political and economic developments there on the one hand, and prevent the penetration of Russian influence on the other. This is the key to our continental policy.

There are two trunk lines in Manchuria and Mongolia. These are the Chinese Eastern Railway and the South Manchurian Railway. As regards the railroad built by the Chinese, it will doubtless become very powerful in time, backed by the financial resources of the Kirin Provincial Government. With the combined resources of Fengtien and Heilungkiang Provinces, the Chinese railroads will develop to an extent far superior to our South Manchurian Railway. Strong competition will inevitably result. Fortunately for us, the financial conditions in Fengtien Province are in great disorder, which the authorities cannot improve unless we come to their succour. This is our chance. We should take positive steps until we have reached our goal in railroad development. Moreover, if we manipulate the situation, the Fengtien bank-notes will depreciate to an inconceivable degree. In that event, the bankruptcy of Fengtien will be a matter of time. The development of Manchuria and Mongolia will be out of the question for them. But we still have to reckon with the Chinese Eastern Railway. It forms a “T” with the South Manchurian Railway. Although this system is a convenient shape, it is by no means suitable for military purposes. When the Chinese build railroads as feeders of the Chinese Eastern Railway, it is best that they run parallel to it, west and east. But with the South Manchurian Railway as the main line, we must have these lines run north and south. For the benefit of the Chinese themselves, there are also advantages for these lines to run in this direction. Consequently, our interest does not necessarily conflict with the Chinese. Now that Russia is losing influence and is powerless to advance in Manchuria and Mongolia, it is certain that the Chinese must act according to our reckoning in the development of the railroads in the future. Much to our surprise the Fengtien Government recently built two railroads, one from Tashushan to Tungliao and the other from Kirin to Hailung both for military purposes. These two railroads affect most seriously our military plans in Manchuria and Mongolia as well as the interest of the South Manchurian Railway. We therefore protested strongly against it.

That these railroads were built was due to the fact that our official on the spot as well as the South Manchurian Railway authorities miscalculated the ability of the Fengtien Government and paid no attention to it. Later when we did intervene, the railroads were already completed. Besides, the Americans have been anxious to make an investment in developing the port of Hu-lu-tao through British capitalists. Taking advantage of this situation, the Fengtien Government introduced American and British capital in these railroads in order to hold our interests at bay. For the time being we have to wink at it and wait for the opportune moment to deal with China about these two railroads.

Recently, it is rumoured that the Fengtien Government is planning to build a railroad from Tashushan to Harbin via Tung Liao and Fu Yu so that there may be a direct line between Peking and Harbin without touching either the South Manchurian Railway or the Chinese Eastern Railway. What is more astonishing is that another railroad beginning at Mukden passing through Hailung, Kirin, Wuchang terminating at Harbin is also under way. If this plan becomes true, then these two lines would encircle the South Manchurian Railway and limit its sphere of activity to a small area. The result is that our economic and political development in Manchuria and Mongolia will be checked and the plan for curtailing our power provided by the Nine Power Treaty will be carried out. Moreover, the completion of these two railroads will render the
South Manchuria Railway completely useless. The latter company will be confronted with a real crisis. But in view of China's financial conditions today, she cannot undertake these two railroads unless she resorts to foreign loans. And on these two railroads the transportation charges will have to be higher than on the South Manchuria Railway. These considerations give us some comfort. But in the event of these two railroads becoming an accomplished fact and the Chinese Government making especially low freight charges in order to compete with the South Manchurian Railway, not only we but the Chinese Eastern Railway will also sustain great losses. Japan and Russia would certainly not allow China to carry out such obstructive measures, especially as the Chinese Eastern Railway depends upon Tsitsihar and Harbin for the bulk of its businesses. The consequence would be even more serious to both Japanese and Russian interests when the new railroads are completed.

Let us now consider more in detail the competitive railroads projected in Manchuria and Mongolia.

China contemplates:
1. Suolun-Taonan Railway
2. Kirin-Harbin Railway

Soviet Russia proposes:
1. Anta-Potung Railway
2. Miempo-Wuchang-Potung Railway
3. Kirin-Hailin Railway
4. Mishan-Muling Railway

The Russian plans are designed to strengthen the Chinese Eastern Railway and thereby extend its imperialistical schemes. For this reason the railroads projected mostly run east and west. For although the power of Soviet Russia is declining, her ambition in Manchuria and Mongolia has not diminished for a minute. Every step she takes is intended to obstruct our progress and to injure the South Manchurian Railway. We must do our utmost to guard against her influence. We should use the 'Fengtien Government as a wedge to check her southern advance. By pretending to check the southern advance of Soviet Russia as a first step, we could gradually force our way into North Manchuria and exploit the natural resources there. We shall then be able to check the spread of Chinese influence on the south and arrest the advance of Soviet Russia on the north. In our struggle against the political and economic influence of Soviet Russia, we should drive China before us and direct the events from behind. Meanwhile, we should still secretly befriend Russia in order to hamper the growth of Chinese influence. It was largely with this purpose in view, that Baron Goto of Kato's cabinet invited Jeoffe to our country and advocated the resumption of diplomatic relations with Russia.

Although we have an agreement with the Chinese Eastern Railway concerning transportation rates, according to which 45% go to the Chinese Eastern Railway and 55% to us, yet the Chinese Eastern Railway still grants preferential rates detrimental to the interest of the South Manchurian Railway. Moreover, according to a secret declaration of Soviet Russia, although they have no territorial ambition they cannot help keeping a hand in the Chinese Eastern Railway on account of the fact that north of the Chinese and Russian boundary the severe cold makes a railway valueless. Furthermore, as Vladivostok is their only sea-port in the Far East, they cannot give up the Chinese Eastern Railway without losing also their foothold in the Pacific. This makes us feel all the more uneasy.

On the other hand the South Manchurian Railway is not adequate for our purpose. Considering our present needs and future activities, we must control railroads in both north and south Manchuria, especially in view of the fact that the resources of North Manchuria and Eastern Mongolia will furnish no room for expansion and material gains. In South Manchuria the Chinese are increasing at such a rate that it surely will damage our interests politically and economically. Under such circumstances, we are compelled to take aggressive steps in North Manchuria in order to assure our future prosperity. But if the Chinese Eastern Railway of Soviet Russia should spread across this field our new continental policy is bound to receive a set-back which will result in an inevitable conflict with Soviet Russia in the near future. In that event we shall enact once more our part in the Russo-Japanese War. The Chinese Eastern Railway will become ours as the South Manchurian Railway did last time, and we will seize Kirin as we once did Dairen. That we should draw swords with Russian again in the fields of Mongolia in order to gain the wealth of North Manchuria seems a necessary step in our programme of national aggrandisement. Until this hidden rock is blown up our ship can have no smooth sailing. We should now demand from China the right of building all the important military railroads. When these railroads are completed, we shall pour our forces into North Manchuria as far as we can. When Soviet Russian intervenes, as they must, that is our opportunity for open conflict.

We should insist on the building of the following railroads:
1. Tungtiao Jehol Railway: This line is 447 miles long and will cost Yen 50,000,000. When it is completed it will be of great value to our development of Inner Manchuria. As a matter of fact, this is the most important of all the railroads in the whole undertaking. According to the careful surveys of the War Department, there are in Inner Mongolia large tracts of land suitable for rice cultivation. After proper development there will be room for at least 20 millions of our people. There is besides the possibility of turning out 2,000,000 head of cattle which may be transported by railroads for food supply and for purposes of exporting to Europe and America. Wool also is a special product. While the sheep is Japan yield only two catties of wool per head per year, the sheep in Mongolia can yield six catties. The South Manchurian Railway has made many experiments, all of which confirm this fact. Besides, the wool is many times better than that of Australia. Its low cost and high quality combined with its abundance in quantity makes Mongolia a potential source of great wealth. When this industry is enhanced by the facilities of railroad development, the total production will increase at least ten-fold. We have withheld this knowledge from the rest of the world, lest England and America compete with us for it. Therefore first of all, we must control the
transportation and then develop the wool industry. By the time
the other countries know about it, it would be already too late
to do anything about it. With this railroad in our hands, we can
develop the wool industry not only for our own use, but also for
exporting to England and America. Furthermore, we can
realize our desire of joining hands with Mongolia. Without it,
Japan can have no part in Mongolia's development.

2. Suolan-Taonan Railway: This line is 136 miles long and
will cost Yen 10,000,000. Looking into the future of Japan, a
war with Russia over the plains of North Manchuria is
inevitable. From a military standpoint, this line will not only
enable us to threaten Russia's rear but also to curtail its
reinforcement from North Manchuria. From an economic
standpoint, this road will place the wealth of the Tao-er-ho
Valley within our reach, thereby strengthening the South
Manchurian Railway. The princes nearby who are friendly to us
can also use this road to extend our influence in order to open
up their respective territories. Our hope of working hand in
hand with the Mongolian princes, of acquiring land, mines and
pasturage, and of developing trade with the natives as
preliminary steps for later penetration, all depends upon this
railway. Together with the Tungliao-Jehol Railway, they will
form two supplementary routes into Mongolia. When our
industries are fully developed, we shall extend our interests into
Outer Mongolia. But the danger of this line is that it might
provide facilities for Chinese migration into a new region and
spoil our own policy. Look at our experiences with the South
Manchurian Railway. Hasn't that served the interest of China?
The redeeming feature, however, is the fact that the lands and
mines along the railway are in the possession of Mongolian
princes. If we can gain possession of them first, we need have no
worries about Chinese migration. Moreover, we can make the
princes pass laws discriminating against Chinese immigrants.
When life there is made miserable for the Chinese, they
naturally will leave for places afar. There are other methods to
bar the Chinese. Only if we try hard enough, no Chinese
footprints will be found on Mongolian territory.

3. A Section of Changchun-Taonan Railway: As this line runs
from Changchun to Fuyu and Taalii, the section between
Changchun and Taonan is about 131 miles and costs
approximately Yen 11,000,000. This line is immensely
important from an economic standpoint, for the wealth of
Manchuria and Mongolia lies all in North Manchuria. It will
enable us to have an easy access to North Manchuria on the one
hand, and prejudice the Chinese Eastern railway to the benefit
of the South Manchurian Railway on the other. It runs through
the upper valley of the Sungari River where the soil is fertile and
agricultural products abound. Further, in the vicinity of Taalii
there is the Yueh-Liand Falls which could be harnessed for
electric power. That this section of the railway will be a
prosperous centre of industry and agriculture is beyond doubt.
After the completion of this line, we shall be able to make Taalii
a base and advance on Siberia through three directions; namely,
by way of Taonan, Anshan and Tsitsihar. The wealth of North
Manchuria will then come into our hands. This will also be the
first line of advance to Heilungkiang. It will further form a
circuit with the railway between Changchun and Taonan, which
will serve well for military purposes when we penetrate into
Mongolia. Along this whole line the population is sparse and
the land is rich and extensive. No fertilizer will be required on
the farms for fifty years. The possession of this railway will
ensure the possession of all the wealth of North Manchuria and
Mongolia. In this region there is room for at least 30 million
people more. When the Tunhua Railway is completed and joins
up with the line running to Huelin in Korea, the products will
be brought to the door of Osaka and Tokyo by a direct route. In
time of war our troops could be dispatched to North Manchuria
and Mongolia via the Japan Sea without a stop, forestalling all
possibilities of Chinese forces entering North Manchuria. Nor
could the American or Russian submarines enter the Korean
Strait. The moment the railways between Kirin and Hueining
and between Changchun and Talai are completed, we shall
become self-sufficient in food-stuff and raw materials. We shall
have no worries in the event of war with any country. Then, in
our negotiations about Manchuria and Mongolia, China will be
cowed to submission and yield to our wishes. If we want to end
the political existence of Manchuria and Mongolia according to
the third step of Meiji's plan, the completion of these two
railways is the only way. The Changchun-Talai Railway will
greatly enhance the value of the South Manchurian Railway,
besides developing into a profitable line itself. It is an
undertaking of supreme importance in our penetration of this
territory.

4. Kirin-Hueining Line: While the Kirin-Tunhua Line is
already completed, the Tunhua-Hueining Line is yet to be built.
The narrow gauge of 2 ft. 6 inches of the tracks from Hueining
to Latoukow is inadequate for the economic development of
the new continent. Allowing Yen 8,000,000 for widening the
tracks in this section and Yen 10,000,000 for completing the
section between Latoukow and Tunhua, the whole
undertaking will cost approximately yen 20,000,000. When this
is done, our continental policy will have succeeded. Hitherto,
people going to Europe have to pass through either Dairen or
Vladivostok. Now they can go on the trunk line directly from
Changchun via the Siberian Railway. When we are in
control of this great system of transportation, we need make no
secret of our designs on Manchuria and Mongolia according to
the third step of Meiji's plans. The Yamato race is then
embarked on the journey of world conquest. According to the
last will of Meiji, our first step was to conquer Formosa and the
second step to annex Korea. Having completed both of these,
the third step is yet to be taken and that is the conquest of
Manchuria, Mongolia and China. When this is done, the rest of
Asia including the South Sea Islands will be at our feet. That
these injunctions have not been carried out now, is a crime of
your humble servants.

In history, the people living in Kirin, Fengtien and part of
Heilungkiang are called Sushan. They are now scattered along
the sea coast and in the basins of the Amur and Tumen rivers.
They were known as Kulai, Sushan, Huelbe, Palou, Wotsu,
Puyu, Kitan, Pohai and Nuchen at different stages of history. They were of a mixed race. The forefathers of the Manchurian dynasty also began in this vicinity. They gained control of Kirin, first, and then firmly established themselves in China for 300 years. If we want to put into effect our Continental Policy, we have to note this historical fact and proceed to establish ourselves in this region first also. Hence the necessity of the Kirin-Hueining Railway.

Whether the terminus of the Kirin-Hueining Line be at Chingchin or Lochin or even Hsiungchi, we are free to decide according to circumstances. From the standpoint of national defence at present, Lochin seems the ideal harbour and terminus. Eventually it will be the best harbour in the world. On the one hand it will ruin Vladivostok, and on the other will be the centre of the wealth of Manchuria and Mongolia. Moreover, Dairen is as yet not in our territory. While Manchuria is yet not a part of our empire, it is difficult to develop Dairen. That being the case, we shall be in a precarious situation in time of war. The enemy could blockade the Tsushima and Senchina Straits, and we will be cut off from the supplies of Manchuria and Mongolia. Not having the resources there at our command we will be vanquished, especially as England and the United States have worked hand in hand to limit our action in every possible direction. For the sake of self-preservation and of giving warning to China and the rest of the world, we must fight America some time. The American Asiatic Squadron stationed in the Philippines is but within a stone's throw from Tsushima and Senchina. If they send submarines to these quarters, our supply of food-stuff and raw materials from Manchuria and Mongolia will be cut off completely. But if the Kirin-Hueining Railway is completed, we shall have a large circuit line through all Manchuria and Korea, and a small circuit line through North Manchuria. We shall have access in all directions gaining freedom for our transportation of soldiers and supplies alike. When our supplies are transported through this line to our ports at Tsuruga and Niigata, enemy submarines will have no way of getting into the Japanese and Korean Straits. We are then entirely free of interference. This is what is meant by making the Japanese Sea the centre of our national defence. Having secured the free transportation of food and materials, we shall have nothing to fear either from the American navy because of its size, or the Chinese or Russian army because of their number. Incidentally, we shall be in a position to suppress the Koreans. Let me reiterate the fact that if we want to carry out the New Continental Policy, we must build this line. Over this territory we shall have to go to was with Soviet Russia sooner or later.

The battle ground will be Kirin.

When we carry out the third step of Meiji's plan with regard to China, we shall have to do the following things:

1. Mobilize the army divisions in Fukuoka and Hiroshima, and send them to South Manchuria via Korea. This will prevent the northern advance of Chinese soldiers.

2. Send the army division in Nagoya and Kansai vi by sea to Chingchin and thence to North Manchuria via the Kirin-Hueining Line.

3. Send the army division in Kwangtung vii through Niigata to Chingchin or Lochin, and thence by the Kirin-Hueining Line to North Manchuria.

4. Send the army divisions in Hokkaido and Sendai to embark at Aomori and Hakodate, and for Vladivostok and thence, via the Siberian Railway, to Harbin. They can then descend on Fengtien, seize Mongolia and prevent Russian forces from coming south.

5. Finally these divisions in all directions will meet and form themselves into two large armies. On the south, they will keep Shantung and close it against the northern advance of Chinese force; on the north, they will defend Tsitsihar against the southern advance of the Russians. In this way we shall have all the resources of Manchuria and Mongolia at our command. Even if the war should be prolonged for ten years, we need have no fear for the lack of supplies.

Let us now analyze once more the Kirin-Hueining Railway from the standpoint of its access from our ports.

First with Chingchin as the starting point:

1. To Vladivostok ............................................. 130 miles
2. To Tsuruga .................................................. 475 miles
3. To Moji ...................................................... 500 miles
4. To Nagasaki ................................................... 650 miles
5. To Pusan .................................................... 500 miles

Second take Tsuruga as the port of entry and compare it with Dairen. In this case we should consider it from the point of view of Osaka as the industrial centre.

1. From Changchun to Osaka via Lochin, the distance is 406 miles by land and 475 miles by sea. In point of time the route will take 51 hours.
2. From Changchun to Osaka via Dairen and Kobe, the distance is 525 miles by land and 870 miles by sea. In point of time it takes 92 hours.

If Tsuruga instead of Dairen is made the connecting link, there is a saving of 41 hours. Calculated at the rate of 30 miles an hour on land and 12 miles an hour by sea, we can use fast boats and trains and cut the time in half.

Manchuria and Mongolia are the Belgium of the Far East. In the Great War, Belgium was the battlefield. In our wars with Russian and the United States, we must also make Manchuria and Mongolia suffer the ravages. As it is evident that we have to violate the neutrality of these territories, we cannot help building the Kirin-Hueining and Changchun-Talai Railways in order that we might be military prepared. In time of war we can easily increase our forces and in time of peace we can migrate thousands upon thousands of people into this region to work on the rice fields. This line offers the key to economic development as well as to military conquests.

In undertaking the Kirin-Hueining Railway, it is necessary to take advantage of the dry season and finish it at one stretch. The
mountains it must go through are all granite. The tunneling would need modern and up-to-date machinery. As to the sleepers and ballast required, there is an abundance all along the line. Limestone and clay for making tiles and bricks are also to be had for the taking. Only rails, cars, and locomotives have to be brought in. The cost of construction could therefore be reduced at least thirty per cent and the time required forty per cent.

Now, let us look at the economic interests along this line. According to the careful investigations of our General Staff and the South Manchurian Railway, the total reserve of timber is 200,000,000 tons. If one million tons are felled and imported to our country each year, it will last two hundred years. This will stop the import of American timber which has been costing us Yen 80,000,000 to Yen 100,000,000 a year. Although our information is reliable we cannot make it known to the world: for if China or Russia learns that we get so much timber from America, they will try to interfere with the construction of this line. Or else, the United States may buy from the Fengtien Government all the timber rights on the one hand to protect their own trade with us; on the other, to control the monopoly and incidentally kill our paper industry.

The first step in gaining financial and commercial control of Manchuria and Mongolia lies in the monopoly sale of their products. We must have the rights of monopoly for the same of Manchurian and Mongolian products before we can carry out our continental policy and prevent the invasion of American capital as well as the influence of the Chinese traders.

Although the products of Manchuria and Mongolia may go through any of the three ports, Dairen, Yinkou, and Antung, nevertheless, Dairen holds the key to the situation. Every year 7,200 ships pass through this port with a total tonnage of 11,565,000 tons. This represents 70 per cent of the total trade of Manchuria and Mongolia. Fifteen navigation routes radiate out from it with definite sailing schedules. Most of it is coastal sailing. We have in our grasp the total transportation system of Manchuria and Mongolia. The monopoly sale of Manchuria's special products will eventually come into our hands. When that comes true, we can develop our oceanic transportation in order to defeat both Yinkou and Antung. Then the large quantities of beans which the central and southern part of China consume, will depend on us entirely. Moreover, the Chinese are an oil eating people. In time of war, we can cut off their oil-supply and the life of the whole country will become miserable. Bean-cakes are important as fertilizer, for the cultivation of rice. If we have control of the source of supply as well as the means of transportation, we shall be able to increase our production of rice by means of a cheap supply of bean-cakes and the fertilizers manufactured as a by-product at the Fushun coal mines. In this way, we shall have the agricultural work of all China dependent upon us. In case of war, we can put an embargo on bean-cakes as well as the mineral fertilizers and forbid their exportation to Central and South China. Then China's production of foodstuff will be greatly reduced. This is one way of building up our continental empire which we must not overlook. We should remember that Europe and America also need large quantities of beans and bean-cakes. When we have a monopoly of the supplies and full control of transportation, both on land and sea, the countries which have need of the special products of Manchuria and Mongolia, will have to seek our good will. In order to gain trade monopoly in Manchuria and Mongolia, we must have control of the complete transportation system. Only then can we have the Chinese merchants under our thumb.

However, the Chinese are adept in learning our tricks and beating us at our own game. We have yet found no way by which we can compete successfully with them in oil-making and sail-boat transportation. After building up the new system of transportation our policy should be two-fold. On the one hand, wreck the sail-boat trade by means of heavy investment in our own system. On the other hand, encourage our men to learn all they can from the Chinese about the sail-boat business. Another thing we should be careful about is teaching the Chinese our industrial methods. In the past we have established factories in Manchuria and Mongolia, and carried out industries near the source of raw materials. This gave the Chinese the opportunity of learning our secrets and establishing competitive factories of their own. Hereafter, we should ship the raw materials back home and do the manufacturing there, and then ship the finished products for sale in China and other countries. In this way we shall gain in three ways: (1) provide work for our unemployed at home, (2) prevent the influx of Chinese into Manchuria and Mongolia, and (3) make it impossible for the Chinese to imitate our new industrial methods. The iron of PenhShiu and Anshan and the coal of Fushun should also be sent home to be turned into finished products.

For all these considerations, the development of oceanic transportation becomes the more necessary. The Dairen Kisen Kaisha Company should be enlarged and our government should extend to it loans at low interest through the South Manchurian Railway Company. By next year, we should complete 50,000 tons of new ships for oceanic transportation. That will be sufficient to dominate over the traffic of the East. For, on the one hand, we have the South Manchurian Railway for land transportation, we control the large quantities of products in Manchuria and Mongolia waiting to get transported. The success of the enlarged activities in oceanic transportation with Dairen at the centre is assured by the iron laws of economics.

Gold Standard Currency Necessary

Although Manchuria and Mongolia are within our field of activities, the legal tender there is still silver. It often conflicts with our gold basis and works to our disadvantage. That our people have failed to prosper as they should in these places, is due to the existence of the silver monetary system there. The Chinese have persistently upheld the silver basis, and therefore have made it impossible for us firmly to establish our colonization plans on a firm economic foundation. We have
suffered from it the following disadvantages:

1. The money that we bring into Manchuria is of gold standard. When we use it either for daily livelihood or for industry and trade, it has to be exchanged into Chinese silver dollars. The fluctuation of exchange is not infrequent as much as 20 per cent, resulting in serious loss to our people. Speculation becomes a regular business and investing money becomes a matter of gambling. When one plans an investment of two hundred thousand yen, one may suddenly find that one’s capital has been reduced to one hundred fifty or one hundred sixty thousand dollars due to the drop in exchange. The creditor would then have to call in the loan and business failures have often resulted.

2. The Chinese businessmen use silver money throughout and are free from the effects of exchange fluctuations. Therefore, their “junk” trade is prosperous. Although they have no scientific knowledge of the exchange value of gold and silver, they always gain in the transaction. They have a natural gift for it, we suffer the more. As we lose in spite of our control of transportation and special backing of banking houses, we have no chance against them. Because of the handicap of the monetary system, people in Central and South China always buy beans and bean-cakes from their own people.

3. With the silver standard in existence, the Chinese Government can increase their notes to counterfeit our gold notes. Consequently, our banks will fail to carry out the mission of extending our country's influence.

4. If the gold standard is adopted, we can issue gold notes freely. With the credit of the gold notes, we can acquire rights in real property and natural resources and defeat the credit of the Chinese silver notes. The Chinese will be unable to compete with us; and the currency of the whole of Manchuria and Mongolia will be in our control.

5. The Government Bank of the Three Eastern Provinces, the bank of Communications, the Frontier Development Bank and the General Credit and Finance Corporation have in circulation silver notes amounting to 38,000,000 dollars. Their reserve funds in the form of buildings and goods is estimated at 1,350,000 dollars. It is natural that the Chinese notes should depreciate. It is only by acts of the Government that these notes are still in circulation. Until we have entirely discredited the Chinese silver notes, we will never place our gold notes in their proper place in Manchuria and Mongolia, much less obtain the monopoly in currency and finance of these two countries. With the depreciated and inconvertible silver notes, the Government of the Three Eastern Provinces buys all kinds of products, thus threatening our vested interests. When they sell these products, they demand gold from us which they keep for the purpose of wrecking or financial interests including our trade rights in special products. For these reasons, our gold notes are having a harder time and a gold standard for currency becomes the more urgent necessity.

In view of the above-mentioned considerations, we must overthrow Manchuria’s inconvertible silver notes and divest the Government of its purchasing power. Then we can extend the use of our gold notes in the hope of dominating the economic and financial activities of Manchuria and Mongolia. Furthermore, we can compel the authorities of the Three Eastern Provinces to employ Japanese financial advisers to help us gain supremacy in financial matters. When the Chinese notes are overthrown, our gold notes will take their place.

Encourage Investment from a Third Power

It has been our traditional policy to exclude from Manchuria and Mongolia investments of a third power. But since the Nine Power Treaty is based on the principle of equal opportunity for all, the underlying principle of the International Consortium which regards Manchuria and Mongolia as outside its spheres becomes anachronistic. We are constantly under the watchful eyes of the Powers, and every step that we take arouses suspicion. That being the case, we had better invite foreign investments in such enterprises as the development of electric power or the manufacture of alkali. By using American and European capital, we can further our plans for the development of Manchuria and Mongolia. By doing so we shall allay international suspicion and clear the way for larger plans on the one hand and induce the Powers to recognize the fact of our special position in that country on the other. We should welcome any power wishing to make investment, but we must not allow China to deal with the leading countries at her will. As we are anxious that the Powers recognize the fact of our special position in Manchuria and Mongolia in political as well as economic affairs, we are obliged to intervene and share all responsibilities with her. To make this a customary practice in diplomatic dealings is another important policy for us.

The Necessity of Changing the Organization of the South Manchurian Railway

The South Manchurian Railway Company functions in Manchuria as the Governor-General of Korea did there before the annexation. In order to build up our new Continental Empire, we must change the organization of that company so as to break away from the present difficulties. The functions of this company are varied and important. Every change of Cabinet involves a change of the administration of the South Manchurian Railway, and conversely every activity of the South Manchurian Railway also has important consequences on the Cabinet. This is because the South Manchurian Railway is semi-governmental, with local authority resting in the Cabinet. For this reason, the Powers invariably look upon this railway as a purely political organ rather than a business enterprise. Whenever a new move is made for the development of Manchuria and Mongolia, the Powers would invoke the Nine Power Treaty to thwart the plans of the South Manchurian Railway. This has greatly damaged the interests of our empire.

Considered from the point of view of domestic administration, the South Manchurian Railway is subject to a quadruple
control. That is the Governor of Kwangtung, the Chief Executive of Dairen, the Consul-General at Mukden, besides the President of the South Manchurian Railway itself. These four officers must meet and exchange views at Dairen before anything can be undertaken. What is discussed in the meetings held in camera often leaks out to the Chinese authorities of the Three Eastern Provinces. They in turn would try to obstruct any forward movements of the South Manchurian Railway authorization. It again has to run the gauntlet at the Departments of Foreign Affairs, of Railways, Finance and of Army. If these ministers do not agree, the matter is dropped. Therefore, although the present prime minister recognizes his own incompetence, he has nevertheless taken concurrently the portfolio of foreign affairs, so that our movements in Manchuria may be kept confidential and the execution of our plans may be swift and decisive. On account of these reasons, the South Manchurian Railway should be radically re-organized. All appurtenant enterprises which are profit-making should be made independent companies under the wings of the South Manchurian Railway, so that we may take determined steps on the conquest of Manchuria and Mongolia. On the other hand, Chinese, Europeans, and Americans should be invited to invest money in the South Manchurian Railway on the condition that we have plurality of its stocks. In that event the control of the company is in our hands, and our mission from the empire can be discharged more vigorously. In short, by inviting international participation in the South Manchurian Railway, we can blind the eyes of the world. Having achieved that we can push our advance in Manchuria and Mongolia at our will, free ourselves from the restraints of the Nine Power Treaty and strengthen our activities in that country with foreign capital.

Furthermore, the opposition party has made capital out of what they find in these regions in order to attack the government. All these have worked havoc with our diplomatic relations. Henceforth, we must change our practice in order to proceed adroitly. The centre of control must be Tokyo. That will (1) insure security, (2) stop China beforehand from knowing our plans, (3) avoid the suspicion of the Powers before a thing is done, (4) unify the multiple control in Manchuria and (5) bring the government agencies in Manchuria and Mongolia in close touch with the central government so as to deal with China with undivided power. For these reasons we should follow the original plan for absorbing Koseam laid down by Ito and Katsura and establish a colonial department, the special function of which is to look after the expansion in Manchuria and Mongolia. The administration of Formosa, Korea and Sakhalin Island may be its nominal function, but our expansion in Manchuria and Mongolia is its real purpose. This will blind the eyes of the world on the one hand and forestall the disclosure of secrets on the other.

It is my personal conviction that the fact that the absorption of Korea could not be effected during the administration of Ito, was due to the lack of a special office for control. Therefore, there were always differences of opinion and secret policies were impossible. Such a state of affairs played into the hands of international obstruction and Korean opposition. Then a number of propagandists went to Europe and America as well as Korea itself, declaring that we firmly respected the independence of Korea and had no designs on an inch of Korean territory. The result of their work was the recovery of international confidence. After that, a colonial department was only the arrangement that the pretence of Formosa. Then we seized the opportunity and the object was gained. It goes to prove that in order to undertake colonization and immigration, a special office for it is absolutely necessary. Moreover, the creation of a new empire in Manchuria and Mongolia is of utmost importance to the existence of Japan. It is necessary to have a special colonial office in order that the policies in that vast territory may be controlled from Tokyo. The officers in the field should only take orders; they should not interfere with the execution of policies where they please. This will insure secrecy; and the opposition nations will have no chance of getting into the secrets of our colonial activities. Then our movements regarding Manchuria and Mongolia will be beyond the reach of international public opinion, and we shall be free from interference.

As to the subsidiary enterprises of the South Manchurian Railway such as the Development Company, the Land Company, and the Trust Company, the power of supervision and planning should also be in the colonial office. The should all be under united control, in order that they may all help in the general policy of expansion in Manchuria and Mongolia of the Imperial Government and complete the creation of the new

ix. Katsura Taro. 1847—1913.
Precaution against Chinese Migration

Recently the internal disturbance in China has driven large hordes of immigrants into Manchuria and Mongolia, thereby threatening the advance of our migration. For the sake of our activities in this field we should not fail to take precautions. The fact that the Chinese government welcomes this migration and does nothing to hold back the tide oppresses our policy even the more seriously. A noted American Sinologist has made the statement that the Mukden authorities are carrying out such effective government that all people are moving into their territory. Therefore, the influx of immigrants is looked on as a mark of effective government of the Mukden authorities. We, of course, are concerned. Unless we put a stop to it, in less than ten years our own policy of immigration will prove an instrument for China to crush us with. Politically we must use police force to check this tendency as much as possible and economically our financiers should drive the Chinese out with low wages. Furthermore, we must develop and expand electric power to displace human labour. This will keep out Chinese immigrants as well as monopolize the control of motor force as a first step toward controlling the industrial development of this vast region.

Tanaka Giichi, (1863—1929) Premier from 1927—1929. Formally vice-chief of the army general staff at the time of the Siberian intervention and, since 1925, president of the Seiyukai.

APPENDIX “C”
GENERAL HONJO’S PLAN

Submitted to the Minister of War by General S. Honjo, Commander of the Kwangtung Army on the eve of the Mukden Incident outlining the “positive policy” of occupying Manchuria and conquering East Asia.

Your Excellency, General Minami Jiro, Minister of War.

Having carefully studied the question of perpetuating the national existence of our Empire and consolidating its position as a first-class power, I, S. Honjo, have come to the conclusion that unless we actually occupy Manchuria and Mongolia which we have developed for three decades and attain the object we had when we dispatched a military expedition to certain places in Siberia in the 6th year of Taisho, so as to unite the above places and Korea with our interior as one piece of territory, during this opportune moment when the world is facing a depression, when the five-year plan of Soviet Russia is not yet completed, and when the unification of China is not yet accomplished, we cannot expect to effect the consolidation of the national foundation of our Empire in the present-day situation of the world. I shall now report in detail the results of my investigations made so far.

The renaissance of China, the continuous existence of “Red” Russia and the eastward advance of the United States on the Pacific Ocean, are all anathemas against the national policy of our Empire. But in order to be able to prevent the eastward advance of American influence, we must first consolidate our national defences on the land and attain a position of independence as far as material supplies are concerned. Therefore, before declaring war on America, we must strive to gain a superior position for our military strength both in China and in Russia. We must aim to cripple China and Russian once and for all; or in case we should be unable to destroy their power entirely, we must at least reduce them to temporary impotency so that they would not be able for some time to attack us or regain their feet. Our Empire would thus be enabled to seize hold of vast quantities of rich natural resources in our newly occupied lands. When profitably applied, they could be the means of strengthening our sea defences, and driving the American influence to the east of Hawaii. There could be no question at all that the Philippine Islands would fall under our control. We could then be the sole master on the Pacific and nobody would be in a position to compete with us or to make a protest.

Having vanquished the American influence in the East, the British influence in Hong Kong and Singapore would not be potent enough to do us any harm; moreover it would soon be destroyed by our navy also; while the south sea of China would also come under our jurisdiction. Thus all the 400 counties of China would fall into our hands, while the unification of the whole of Asia and the subjugation of Europe would both prove to be tasks quite feasible and not difficult to be carried out. Let us try to state our order of procedure as follows:

Our first step should be to occupy Manchuria and Mongolia of China and make then independent states.

Our second step would require us to make good use of the Chinese Eastern Railway to attack and penetrate Siberia until we have occupied Upper Udink and forced Russia to cede to us the great plains east of the Lena River and up to the Bering Straits. We could then help the White Russians and the Burelats to inaugurate an independent state of the Far East. Of course, these two independent states (Manchuria and Mongolia and the Far East) would be ruled and controlled each by a governor-general appointed by Japan. Thus the Sea of Okhotsk and the Sea of Japan would both be wholly incorporated as part of our Empire, and we would have them to look after its sea defences facing the southeast only.

Should the above-mentioned places fall under our control, their rich resources would, I find, really contribute very materially to making our Empire a first-class power in every sense of the term, whose position as a military power would be impregnable.

I find that Manchuria and Mongolia of China comprise three provinces, namely, Fengtien (Liaoning), Kirin and Leitung-kiang and the easternmost part of Inner and Outer Mongolia with an area of over 74,000 square miles, or nearly treble the size of our Island Empire. The large plains east of the Lena River in Russia embrace all the lands in the provinces of Lower Baikal, Yakutsk and Amur as well as North Sakhalin; and the area is over 300,000 square miles, or more than seven times the area of Japan Proper. The total number of population in these two regions is less than forty millions, only about a half of our own population (including the population of Korea and Formosa). With such an extensive area of territory so sparsely populated in our possession, our Imperial Government need feel no apprehension at all as regards the accommodation for any surplus population for the next two hundred years provided every opportunity to make use of the advantages be availed of.

In addition, the richness in agriculture, mines, forestry, cattle-breeding and fishery there are truly incalculable. Besides, the lengthy rivers and large lakes are also very precious for water power, being able to supply whatever amount of electricity these plains might require. As the fertility of the vast tracts of land along both banks of the Sungari and Nonni rivers and the Liaochi and Heitung-kiang is well known, their development in a skillful way by the engineers of Japan would surely result in the multiplication of their productive quantity, 3/4% of which would be ample to make up the deficiency of agricultural products in Japan, while more than 80% could be diverted to meet the requirements of world markets.

The field for the fishing industry along the coast of the Sea of Okhotsk is counted to be one of the three principle fields in which the fisheries industries flourish most in the world. If the industry is developed by the Imperial Japanese Government with all its available resources, the profit to be derived therefrom is estimated to amount to something round about Yen 100,000,000 per annum. Even more than this enormous amount will be the profit derivable from hunting whales.

Ponies abound in Chita and Jehol. Hides and wool is produced in unlimited quantities in many places. Raw materials for making silk fabrics now being imported could be supplied from our own production. Oil wells have, to my knowledge, been found in as many as fifty spots, and the quantity they hold is believed to be equal to the quantity found in two of the richest oil-bearing provinces. The problem to meet the fuel requirements of our industries, our navy and aviation service would thus be solved once and for all. Coal in large quantities is also embowered in the earth. China and Russia have opened gold mines at eight places. During this time of a shortage of gold production, if we would but devote our Empire's energy to an intensive digging for gold, our national wealth could be increased a hundredfold.

Coal and iron need not be mentioned. Compared with the poverty-stricken conditions in our interior, these regions appear, indeed, to be the happy land in Heaven. If we make good use of these resources, there can be no limit to the expansion of our industries in the future.

Forest wood is as profusely grown there as in Canada. If our paper manufacturers would make advantageous use of this produce, they could control the markets of the world.

If all the above-mentioned places are placed under our administration, our Empire will in less than ten years acquire a wealth exceeding that of the United States of America. When that time arrives, there will be no country in the world sufficiently powerful to oppose and compete with our Empire.

With such wealth and resources at our disposal, we would encounter not the slightest difficulty even if we elect to train an army twice the size of the armies of China and Russia and to maintain a navy equal in strength to the navies of Great Britain and the United States. We would then be in a position to drive away the United States to the east of Hawaii and Great Britain to the west of Singapore and to hold supreme power on the Pacific without any difficulty. With all the islands constituting the South Sea Archipelago now under Dutch rule as well as the British colonies of Australia and New Zealand, etc., would be within easy grasp of our Imperial will. Once we have attained such an influential position, we could proceed to conquer the whole country of China and the whole continent of Asia, and further to subjugate the whole continent of Europe as well as that of Africa by force until we have gained control of the Eastern Hemisphere of the globe when we would share equally with the United States (the good things) of this world, in accordance with the instructions contained in the will of our late Emperor Meiji and as becomes the fitting duty that our Taiwa race (Japanese nation) must carry out.

At present, Russia and China are still in the preliminary stage of the process of their rebirth, that is, they are both still weak in strength. Were we to bring our military pressure to bear upon them now, they could be swept off their feet as easily as the breaking of a rotten log. If we did not act at this moment; if we should passively watch the unification of China to become a fait accompli, the execution of Chiang Kai-shek's ambitious programme for the reconstruction of China to its logical end, and the completion of the five-year industrial plan by Soviet Russia, not only would the hopes and aspirations which our Empire is looking forward to materialize in the future be all shattered, but a great calamity would, I am afraid, soon befall our Imperial Nation.

I beg to lay before Your Excellency a detailed report, together with sketches and plans, representing the result of investigations I have made for your consideration. (Plans and sketches not reproduced.)

xi. 1919.
APPENDIX "E"
MANCHUKUO COMMUNICATION TO FOREIGN MINISTERS OF VARIOUS POWERS, MARCH 12, 1932

Sir,

I have the honour of informing you that the provinces of Fengtien, Heilungkiang, Kirin and Jehol, the Tungsheng Special District and Mongolian Mengs (Leagues) under Several Banners have themselves united to establish an independent government severing relations with the Republic of China and created "Manchukuo," the State of Manchuria, on March 1st, 1932.

You are in no doubt aware that the old military authorities, headed by Chang Hsueh-liang, that administered the Northeastern Provinces, sought only their self-interest and failed to give adequate consideration to the welfare of the people; that the entire populace was subjected to extreme sufferings through outrageous exactions resulting from the corrupt discipline in official circles; and that the relations with foreign nations was greatly impared through the enforcement of anti-foreign policies. Furthermore, in China proper there is to be found no unified and stable government due to constant factional strife or the murderous nature among various military leaders of their own race and not a day of peace is to be seen by the people at large.

Hereupon, the people of Manchuria at the opportune time when the old military power was overthrown, established a new State with unity of endeavours and a single purpose.

The Government of Manchuria proposes to perfect the institution of laws and to establish security for the life of the people and to exert all possible power for the promotion of their happiness and peace.

As regards the relations with foreign nations, it has been definitively decided that diplomatic intercourse shall conform to the several principles hereinafter stated:

1. That the Government shall conduct the affairs of the State according to the primary principle of faith and confidence and the spirit of harmony and friendship, and pledge to maintain and promote international peace.

2. That the Government shall respect international justice in accordance with international laws and conventions.

3. That the Government shall succeed to those liable obligations, due to the Republic of China by virtue of treaty stipulations with foreign countries, in the light of international laws and conventions and that those obligations shall be fully discharged.

4. That 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 their persons and properties shall be given full protection.

5. That the Government welcomes the entry of the peoples of foreign nations and their residence in Manchuria and that all races shall be accorded equal and equitable treatment.

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

7. That with regard to the economic activities of the people of foreign countries within the State of Manchuria, the principle of the Open Door shall be observed.

It is the earnest desire of this Government that your Government will fully understand the purpose of the establishment of the State of Manchuria herein before stated and that formal diplomatic relations be established between your Government and the State of Manchuria.

With the assurances of my highest esteem and distinguished consideration,

Respectfully,

HSIEN CHIEH-SHIH
Minister of Foreign Affairs
Manchukuo

12th March, 1932
First Year of Tarung

To the Foreign Ministers of 17 countries which have consular officials in Manchuria, namely, Austria, Belgium, Czecho-slovakia, Denmark, Estonia, France, Germany, Great Britain, Japan, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, the United States, and the Union of Soviet Socialist Republics; and 35 other countries.

APPENDIX "F"
JAPAN-MANCHUKUO JOINT ECONOMIC COMMISSION AGREEMENT
July 15, 1935

Whereas the Government of Japan and Manchukuo entertain a desire to realize the rational coordination of the economies of the two countries with the purpose of permanently consolidating the relations of economic independence now existing between Japan and Manchukuo.

 Whereas the two governments have recognized the need of achieving a full and close cooperation, among other matters, in important economic questions affecting the two countries in accordance with the principles of the Protocol of Japan and Manchukuo signed on the 15th day of the 9th month of the 1st year of Tatung;

Now the two Governments, having resolved to establish a Japan-Manchukuo Joint Economic Commission, have agreed as follows:

ARTICLE 1
A Japan-Manchukuo Joint Economic Commission shall be established at Hsinking in Manchukuo.

ARTICLE 2
The commission may be consulted by the Governments of Japan and Manchukuo as to important matters regarding the inter-relation of the economics of the two countries as well as important matters regarding the supervision of the management of special companies set up Japanese-Manchukuo joint enterprises and shall then submit its views thereon to the two governments.

ARTICLE 3
The Governments of Japan and Manchukuo shall take no measures regarding such matters as are specified in the preceding Article unless they have been previously consulted with the commission regarding them and have obtained its views thereon.

ARTICLE 4
The commission may, when necessary, make recommendations to the Governments of Japan and Manchukuo in regard to all matters pertaining to the rational coordination of the economic of the two countries.

ARTICLE 5
The organization and operation of the commission shall be regulated by the annex to the present agreement.

ARTICLE 6
The present agreement shall be put into effect on the day of its signature.

The present agreement has been drawn up in the Japanese and Chinese languages, and should any difference arise in regard to interpretation between the Japanese and Chinese texts, the Japanese text will prevail.

In witness thereof, the undersigned, duly authorized by their respective governments, have signed the present agreement and have affixed their seals thereto.

Done at Hsinking, this 15th day of the 7th month of the 10th year of Showa, corresponding to the 15th day of the 7th month of the 2nd year of Kangte.

Jiro Minami,
Ambassador Extraordinary and Minister Plenipotentiary of His Imperial Majesty the Emperor of Japan.
Chang Yen-ching,
Minister for Foreign Affairs of Manchukuo.

ANNEX
1. The commission shall be composed of eight members, of whom the Governments of Japan and Manchukuo shall each appoint four and shall respectively inform the other governments of their appointments.

In the event of any member being prevented from attending any meeting on account of unavoidable circumstances, the Japanese ambassador to Manchukuo and the Prime Minister of Manchukuo shall consult each other in the nomination of a deputy and the said deputy shall attend the meeting.

The said deputy shall act in the name of the absent member.

Besides the members mentioned in the preceding paragraph, the Governments of Japan and Manchukuo, when necessary, may, upon consultation, appoint an equal number of temporary members.

2. The president shall be elected by the members of the commission from among their number.

3. There shall be a certain number of secretaries of the commission. They shall deal with the secretarial affairs of the commission.

The Governments of Japan and Manchukuo shall each appoint an equal number of secretaries from among those attached to the members of the Commission.

4. The proceedings of the commission shall be decided by a majority vote. In the event of an equal vote, the president shall decide.

The President shall not be prevented from voting as a member of the commission.

5. The commission shall adopt its own rules of procedure subject to the approval of the Governments of Japan and Manchukuo.

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