

The Future Development of Northern Manchuria

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NO one who has traveled in Manchuria during the past few years and studied the economic possibilities which are slowly being developed in that vast country can fail to realise that here there lies an untapped source of supply the exploitation of which will become a matter of vital importance to the commercial interests of the world during the next decade. But before this development can take place it is necessary that the country be populated, a need that is rapidly being filled by emigrants from Russia, from Japan, and above all from China. To appreciate the celerity with which this is occurring it is necessary to recall that in 1897, that is prior to the construction of the Chinese Eastern Railway, the population of Northern Manchuria is said not to have exceeded two million people, while at the present time that number has increased to more than twelve millions.

To enable the reader to understand what these figures really denote one may instance that this rate of growth in population is nearly three times that of either Japan or the United States, two countries which are comonly quoted as instances of rapid population and consequent economic stress. But in this case it seems unlikely that there will be any such danger for many years to come, in spite of the steady influx of the excess population from both China and Japan, for the unexampled richness of the soil, the vast timber resources, and the hidden mineral deposits of Manchuria render her vast territories one of the few as yet undeveloped economic possibilities of the Orient, with its overcrowded and teeming millions who must emigrate or starve. It is particularly fortunate that in the instance of Manchuria the immigrants are nearly all of that type so eagerly sought by developing countries, namely, agriculturalists. This is more particularly true of the Chinese emigrants, for in China itself more than eighty per cent of the people are farmers, while the proportion in Japan cannot be very much less in spite of her recent rapid economic development in three or four great cities. But at the same time that this agricultural influx has taken place there has been an accompanying growth of the cities, more especially noticeable in the instance of Harbin and its surroundings.

This town, thanks to its situation on two great commercial routes, those of the Chinese Eastern Railway and the Sungari river, has grown from the mere group of huts of twenty years ago to a city of more than 200,000 inhabitants, to which may be added the 150,000 population of the adjoining Chinese city.

The economic life of Northern Manchuria may be said to be determined by the three most important geographical divisions, which one may roughly define as follows:-

1. The fertile central plain lying between the mountain ranges of Hingan in the west and Tianposhan in the east and watered by the Sungari and the Nonni rivers and their tributaries.
2. The mountainous districts.
3. The plateau to the west of the Hingan range, which is in reality the continuation of the great Mongolian steppe.

The first of these regions is mainly devoted to the growth of wheat, soya, and kaoliang, and it is from here that there comes the steady influx of cereals which one sees being loaded at Harbin, Mangon, Tsitsihar and other stations along the Chinese Eastern Railway; while a considerable quantity is also sent out by boat along the Sungari river.

The following table will give some idea of the quantities of cereals exported from Manchuria during the last few years:-

	1909	1921	1922	1923
Corn (tons)	26,000	400,000	100,000	(5 months)
Soya Bean (tons)	400,000	1,000,000	880,000	870,000

It should be noted that these figures do not include those cereals sent out by cart, which is in reality a very important item, for the Japanese have founded several transport companies in the Changchun region for the express purpose of enabling their own railway, the South Manchurian, to handle as much as possible of these food-stuffs, which would ordinarily be sent out by the Chinese Eastern Railway *via* Vladivostok. The total amount exported represents about half the production, the remainder being used for local consumption, as is the bulk of the buckwheat which is grown in the less fertile regions.

The principal export businesses are those of Messrs Soskin & Co, Vassard & Co, Kabalkin & Co, The Siberian Co., The Anglo-Chinese Trading Co., Suzuki & Co., Mutsui &

Co., together with various Chinese houses of lesser importance. Taking the figures of two of these concerns for examination we find that their exports over a period of three years was as follows:-

Messrs Soskin & Co.			
1921.	Beans, Soya	to Dairen	50,000 tons
—	"	Vladivostok	20,000
	"	London	30,000
	Wheat	Dairen	100,000
	"	Vladivostok	20,000
	"	London	2,000
1922.	Beans, Soya	to Dairen	35,000 tons
—	"	Vladivostok	10,000
	"	London	50,000
1923. (5 months)	Beans, Soya	to Dairen	35,000 tons
—	"	Vladivostok	5,000
	"	London	90,000

In addition to this there is an annual export of some thirty thousand tons of Soya by this firm *via* the Sungari river.

The Siberian Co.			
1921.	Beans, Soya	to Japan	40,000 tons
—	"	Europe	10,000
	Wheat	Japan	27,000
	"	Europe	7,000
1922.	Beans, Soya	Japan	54,000
—	"	Europe	47,000
	Wheat	Japan	5,000
1923. (5 months)	Beans, Soya	to Japan	49,000 tons
—	"	Europe	16,000

In addition to the secured living which is thus assured to the ever increasing rural population, and to the business thus obtained by the transport and export companies, it must be recognised that this steady production of food stuffs has given their opportunity to the milling and oil producing industries, which are rapidly building up an excellent business. To quote one instance of this, one may mention that there are thirty-three mills established within the region covered by the Chinese Eastern Railway, of which twenty four are in the vicinity of Harbin itself. Their capacity is estimated at 950 tons of flour per day, or about 400,000 tons per annum, and in the years 1921 and 1922 these mills were working to about half of their maximum output. More than twenty of these mills are in the hands of Chinese, while several that had originally been owned by Russian interests have come directly or indirectly under the control of the Russo-Asiatic Bank, another Russian mill having recently been taken over as a French company. At the moment the export of flour is suffering from the tariffs imposed on importation by Siberian provinces and also from the high freight rates on transport to the European consumer countries. It cannot be doubted, however, that things must eventually return to normal, and when that occurs the cereals of Manchuria will play a most important part in the economic life of the regions of the Amur, the Ussuri and Lake Baikal.

Oil Production Second Industry

Turning from this subject to that of the second largest industry of Northern Manchuria, namely the oil mills, one is even more struck by the difference between the present situation and the future possibilities of production. There are now fifty-five steam plants for oil production working in Manchuria, of which forty three are in the vicinity of Harbin, and to this may be added an enormous number of primitive hand presses which supply the local demand for oil. The capacity of these steam plants is more than 900,000 tons per annum, but at present their output is only about 130,000 tons, so that the increase which may be expected as soon as conditions are more settled in those countries which import the oil will be almost unprecedented. In addition to the oil output already referred to, there is a considerable business in cattle cake from the mills, the production being 200,000 tons in 1922 and 110,000 for the first five months of 1923. From a consideration of the foregoing figures one may deduce that economic life of this central plain of Northern Manchuria is solidly established, and that the brightest future may be predicted for this partially developed region, with its growing population and excellent facilities of transport.

Let us now turn our attention to the mountainous regions, which are those of the forests and timber concessions. The exploration and exploitation of these vast areas, which were practically unknown until the establishment of the Chinese Eastern Railway, is still in its infancy, and if only reasonable judgement is exercised these forests should prove a great and permanent source of revenue to the country. There are no figures available that give the exact

area which produces timber, but it is fairly safe to say that at the present time it covers more than a quarter of the whole of Northern Manchuria. Chinese estimates on the subject state that there are more than 125 milliards cubic feet of wood suitable for building construction, though for the present the development of these timber concessions is limited to the vicinity of the railway or the waterway of the Sungari river. In 1922 the total concessions granted by the Chinese Eastern Railway to different firms amounted to 15,000 square kilometres, which represents about one fifteenth of the forest region which is being exploited commercially. Among the principal concessionaires are to be included the firms of Messrs Skidelsky, Kovalsky, Schevchenko, Slinkin, Popoff, and Vorontsoff, the total production of these in 1922 amounting to one million and a half tons of building timber and firewood. The principal markets for this production are to be found in Japan, England and South Africa, while the largest customer in the country itself has been the railway, with its continual call for sleepers, telegraph poles and timber for construction work and fuel, a demand which will remain constant for some years to come. It may be noted *en passant* that in the pine forests of Manchuria there lies a fine source of supply for the match-making industry, which might well be developed into one of the most important trades in the country, competing on favorable terms with the rival manufacturers of Sweden and Japan. It appears that the Chinese Eastern Railway cannot at the present time afford to further lower its transport tariffs and in this way assist the industry, but on the other hand it must be recognized that it is always willing to make those alterations and additions of mechanical means in its stations and wharves which will render transportation and transshipment more easy. The only other means of development of the timber industry lies therefore, in the financial assistance rendered to the concessionaires by the various banks. Until the last two years the Russo-Asiatic Bank has been the only one interested, but quite recently the Hongkong Shanghai Banking Corporation and the International Banking Corporation have entered into financial relations with some of these firms engaged in the timber trade.

Trading in the Third Region

The third region which it is necessary to consider is that of the table-land beyond the Hingan mountain range, with Hailar and Manchuli as centers. This area may be said to belong geographically to the Mongolian plateau from which no physical obstacle separates it, and its commercial products are of a similar character. Horses, cattle, sheep, and pigs, together with wool, skins, bristles, etc., are the most important of these, and for purposes of export wool occupies the first place, although there has been a slight drop in the trade since 1918, when more than 1,500 tons were sent out from Hailar and Manchuli alone. The general trade depression has made itself in this direction also, and it may be doubted if the present export amounts to more than one thousand tons per annum from this region. The whole conditions governing this industry need careful consideration on account of certain peculiarities inherent in the trade, for not only must the buyers and business representatives of wool merchants leave for the interior early in the spring, but they must also reckon on making much of their purchases against an exchange in goods rather than in actual cash. It seems desirable that a special type of credit should be established for this trade, short term loans against promissory notes or such documents being comparatively valueless, and long term loans against a future season's clip being difficult to obtain from bankers and merchants who lack the experience and initiative necessary for such a transaction, common enough though it is in a wool producing country such as Australia. In the past the wool has been exported both pressed and unpressed, but recently installations have been put in at Hailar, Tsitsihar, and Manchuli where the wool is sorted, washed and baled, thus greatly adding to its value and lessening the cost of transportation. At the same time there have also been established in this region various workshops for the tanning of skins, the manufacture of boots, the preparation of felt matting for the Mongol tents, the making of sheepskin coats, etc., and these industries are rapidly proving their stability, their products finding a ready sale in the local markets.

Amongst the firms handling the exports from this district one may note the Produce Export Co. as one of the best, though their operations are necessarily greatly handicapped by the heavy "likin" taxation inflicted on the goods exported en route to the sea, the charges often amounting to 25% of the value of the article. It is to be hoped, however, that there will shortly be some amelioration in these uneconomic conditions, and one may then expect to see the region to the west of Hingan develop its commerce with an extraordinary rapidity. To give one further instance of the possibilities

of this country, one need only mention the flourishing sugar industry, the factories of which are producing not only a good grade of sugar but also liquors and spirits. The control of these plants has been negotiated for by French interests, and the new administration will doubtless still further develop that cultivation of beetroot which has already been initiated by the importation of high quality seeds from Europe.

Chinese-Eastern Rly Operates Without Loss

The backbone and mainstay of the whole of this economic development throughout Northern Manchuria is to be found in the Chinese Eastern Railway, which may be said to have been the principal factor in the initial opening-up of this fertile territory, more than half the population and all the commercial centers being established in the railway zone. This railway is not only the principal means of transport and communication, but also the chief landowner and the largest consumer of produce, giving employment as it does to some tens of thousands of workmen in its various depots. It will be recalled that in the first instance this line was subsidized by Russia as a branch of the great transcontinental system, but that in late years it has slowly transformed itself into a commercial enterprise depending on the receipts obtainable from the growing traffic of Manchuria. The freight returns obtained from imports have not exceeded one quarter of those paid by exports, the bulk of the former being derived from the short run between Changchun and Harbin. Russia has contributed a certain amount on the through traffic in furs destined for America and other countries, but the total value of these for the year 1923 did not amount to more than nine millions of gold roubles, so that the likin duties and transport charges were comparatively small. In spite of unsettled conditions everywhere the railway has not only managed to operate without loss but has also been able to meet the interest on its loans and repay its current debts, the revenue for the last year approximating to thirty seven million gold roubles, while the expenditure was slightly under thirty million gold roubles.

A Land of Vast Resources

Taking the whole of the foregoing factors into consideration one may see that in spite of the continual economic disturbance due to world-wide war, Northern Manchuria shows every indication of having a wonderful future before it, the chief need at the present time being for further foreign financial investment to enable the various industries to function more fully. It is true that there are already a number of banks operating branches in the country, amongst the principal being the Bank of China, the Bank of Communications, the Bank of Manchuria, the Bank of Chosen, the Yokohama Specie Bank, the Hongkong and Shanghai Bank, the International Banking Corporation, the Chinese-American Bank, the Russo-Asiatic Bank and the Far Eastern Bank (Soviet). But the operations of these banks by no means fully cover the necessities of a growing country, for there are numerous enterprises which are perfectly good investments but which the banks nevertheless do not find themselves in a position to handle, and it is in this direction that there is an increasing opportunity for development to take place. The only fly in the ointment, as the writer sees it, is the still uncertain political future of the country, for Northern Manchuria is unlucky enough to be a territory greatly desired by various neighboring powers. The Soviet intend to control the Chinese Eastern Railway whatever may betide, the Japanese would very much like to secure the economic development of the country as an outlet for their surplus population, while the Chinese, although their government may be said to have no practical existence, have already secured a considerable hold here by methods of peaceful penetration, their merchants and colonists extending their spheres of influence month by month through the acquisition of trifling advantages which were so small as to pass unnoticed by the nationals of other countries. For this reason it is somewhat difficult to predict as to which will eventually emerge as the controlling power in this region, but one thing is certain, and that is that the economic necessities of the outside world cannot long permit such an important source of supply to remain a point of contention which will prevent its valuable resources from being developed to their fullest extent.