

The Struggle For Economic Supremacy In Manchuria

Soviet And Japan Are Involved

BY PHILIP KERBY

During the past six months the activity of both Russia and Japan in Manchuria to gain economic and military supremacy has been increased a hundredfold. No effort has been spared on the part of either nation to forge ahead the outposts of their separate civilizations and it would seem that in the very near future a crisis must occur which will have an effect upon the whole of Northern Asia.

After making an extensive trip lasting more than two months and taking in nearly all of both Southern and Northern Manchuria, I firmly believe that the stage is set for one of the greatest economic battles of modern history. Whether or not it will assume proportions of open conflict only time alone can tell. Both the Soviet and Japan are making preparations for development in Manchuria on a much greater scale than ever before attempted but both are reckoning without their host, namely China.

"BLOOD ALLEGIANCE"

The Soviet has sworn "blood allegiance" to China and is doing everything in her power to further the abrogation of the so-called "unequal treaties"—if we are to believe the statements of Comrade Karakhan, first Soviet Ambassador to China in Peking. While the Soviet is metaphorically patting China on the back with one hand, she is calmly pursuing an Imperialistic policy of land grabbing and concession hunting with the other which would have put the Tsarists to shame. The Soviet encroachments in Manchuria during the past half year are greater than at any time since the period immediately preceding the Russo-Japanese war.

Japan on the other hand has large vested interests in Manchuria which must be protected at all costs. The South-Manchurian Railway running from Changchun to Dairen and from Mukden to Antung, not to mention countless feeder lines, represents an investment of more than half a billion gold yen. Then there are many other interests such as the Fushun Collieries, the Anzan iron mines, smelters and Coke Ovens, and the new docks and godowns at Dairen which are exceptional valuable properties and total many millions more.

CHINA'S ROLE SMALL

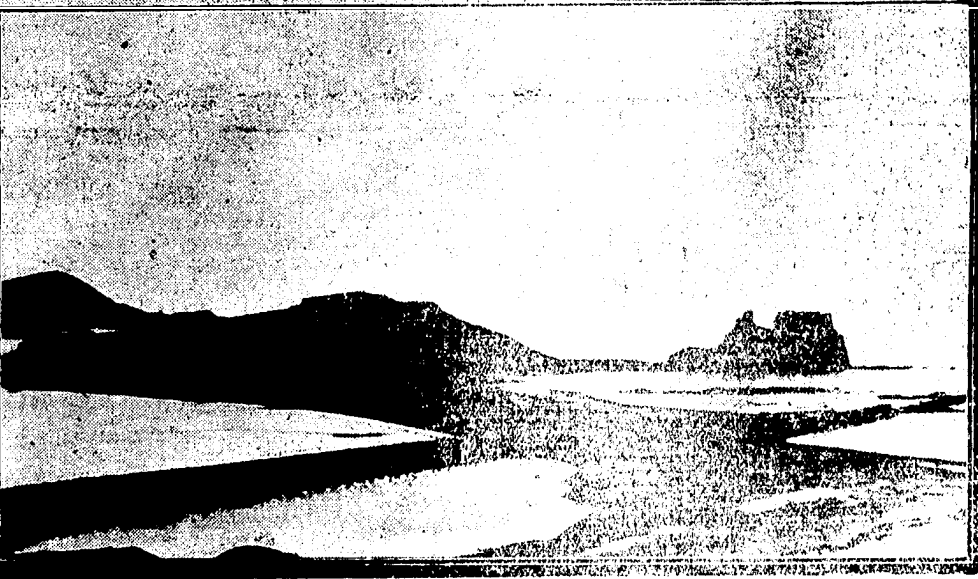
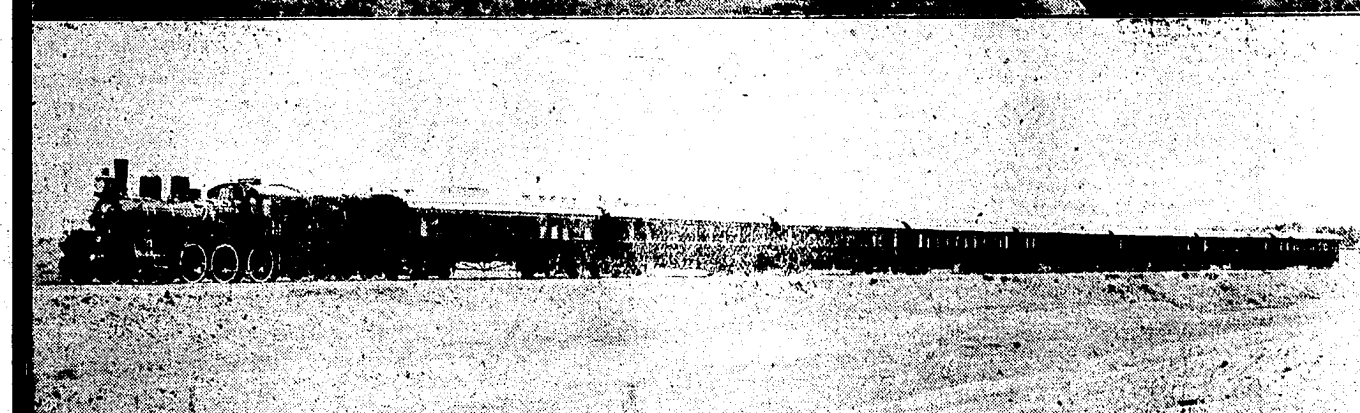
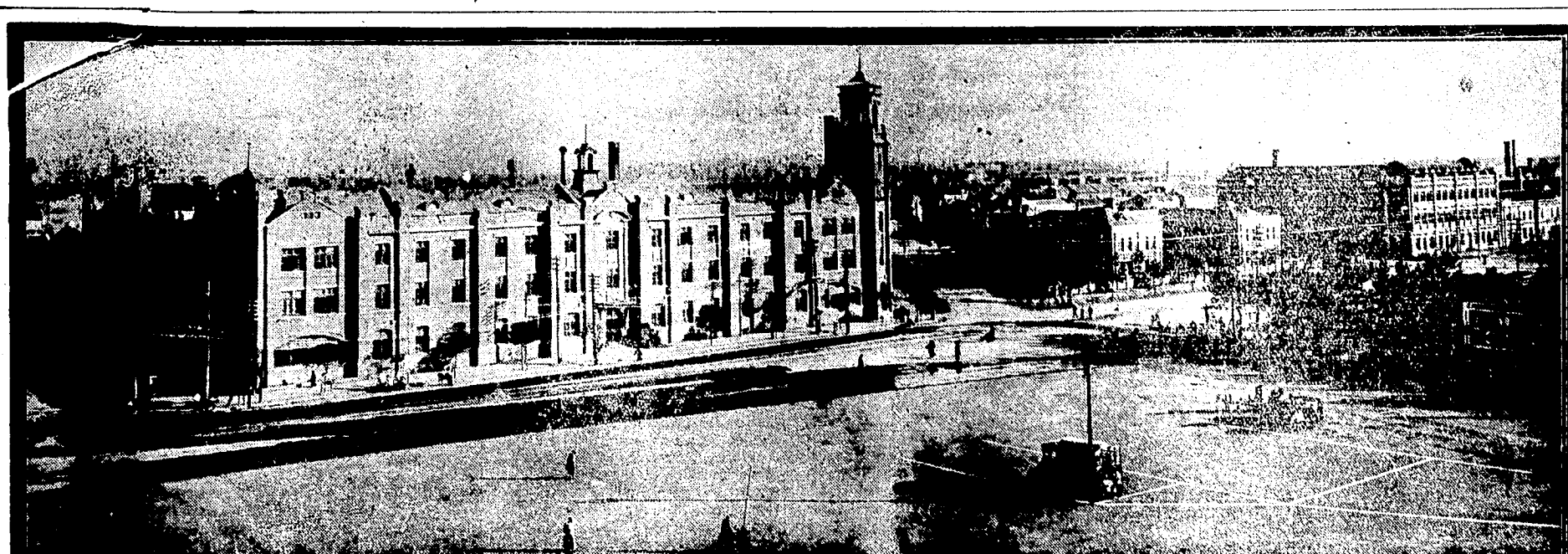
The Soviet's interest is represented mainly by the Chinese Eastern Railway, and the wide strip of land on either side of the railway, known as the Railway Zone which contains rich timber and mineral concessions including gold and copper mines. Although the Chinese Eastern Railway according to the latest Sino-Russian Treaty is supposed to be operated under the joint ownership of both governments, the role that China plays is small despite the fact that Mr. Pao Kuei-ching, a Chinese, is chairman of the board of directors. The General Manager is Mr. A. N. Ivanoff, a Russian Red appointed by the Moscow Soviet.

It is he who directs the policy of the line, grants concessions, buys new equipment, authorizes the construction of feeder lines and, in case of a deficit can draw annually 10,000,000 gold roubles from the Russian State Bank giving only his personal notes as security.

The present rivalry between the two countries centers around the railways. Nature has been especially kind in the sense that the railways all run down hill to the sea and that produce may be transported at much lower rates than elsewhere in the world. The greatest commodity of Manchuria is the soya bean, the oil of which first came into prominence during the world war as a substitute for many valuable vegetable and mineral oils which were impossible to secure.

SHARP COMPETITION

Last year Manchuria raised the largest crop of beans in her history and during the rush of the shipping season as many as 350 cars a day were dispatched from a single shipping station on the C. E. R. Some of these cars were dispatched to Changchun, the southern terminus of Chinese Eastern Railway. Others were switched at Harbin to the eastern section of the C. E. R.



Above, the city of Mukden (Japanese Concession) as viewed from the South Manchurian Railway Station. Center, left, a Chinese Eastern Railway passenger train for through traffic from Vladivostok to Harbin and Manchouli. Center, right, Mr. A. N. Ivanoff, general manager of the Chinese Eastern Railway. Below, left, Marshal Chang Tso-lin, over-lord of Manchuria, accompanied by Generals Yang Yu-ling, Chief of Staff, Yang Cho, assistant Chief of Staff, and Frank Sutton, M. C. assistant director of the trench motor arsenal. Below, right, the proposed new port at Duluth, showing the natural harbor facilities. It is located on the Feng-Sui Bay, midway between Shanhai-kwan and Mukden.

and thence to the Ussuri Railway at Sulefio and into Vladivostok. Those sent to Chungchun were transferred to the South Manchurian Railway and shipped to Dairen.

Here came the rub. Both the South Manchurian and Ussuri railways were competing for the privilege of shipping the beans and were cutting rates to such an extent by giving rebates to shippers that, as the shipping season neared its close the two railways were very nearly paying the shipper for the privilege of transporting his beans. A railway conference was held at Harbin between the officials of the C. E. R. and those of the South Manchurian and a great effort was made to stabilize the freight rates, but without any great amount of success. Further conferences are scheduled to take place next month with a view to discovering a solution.

From a shipper's standpoint it was much more preferable to ship to Dairen since the moment the beans were stored in one of the big concrete fire proof godowns of the S. M. R. the shipper could send his godown receipts to one of the foreign banks in Dairen and get his money less a small percentage for handling charges.

REBATE SYSTEM

In Vladivostok, however, there are no foreign banks and the shipper was forced to await delivery of his cargo before getting his money, meantime losing the interest on his investment in transit. Consequently the Ussuri railway did its best to compensate for this loss by a system of rebates

which undercut those of South Manchuria.

The Japanese Railway retaliated by giving preferential rates to shippers at considerable distance from the rail head at Changchun and other shipping points on the S. M. R. and sponsored indirectly a system of cartage overland. From Nov. of March the ground is solidly frozen and native cart caravans numbering a hundred or more carts in each make the trips from the distant bean collecting stations at a fairly rapid rate. This cartage considerably cut into the revenues of the Chinese Eastern Railway even as far north as Harbin. Some of the cart caravans came into Changchun while others went to the Japanese rail head at Taonanfu. These latter shipments were then sent to Sipingkai where they joined the main line of the South Manchurian railway and were sent down the peninsula to Dairen.

CONSIDER EXTENSION

The South Manchurian Railway company is very anxious to find a *modus vivendi* whereby the shipments from the Chinese Eastern Railway can be made profitable, otherwise the 20,000,000 gold yen invested in the port and storage facilities of Dairen will have to be charged up to bitter experience. If the next conference adjourns without any tangible result it is quite probable that the Japanese will make a valiant effort to extend the present railway from Taonanfu to Tsitsihar passing through the richest agricultural area and running parallel to the southern portion of the C. E. R. This proposed line would give the Japanese a very

great advantage, since the cargoes would not have to be transferred at Changchun which is necessary at the present time as the gauges of the two lines are different, but would be shipped without further handling until they reached the seaboard.

Furthermore the Japanese railway has sought to improve both the quality and production of soya beans in Manchuria thereby assisting the bean growers to realize greater profits. A research laboratory employing some two score chemists and twice as many assistants has been established in Dairen with a view to determining better methods of extracting the oil from the bean as well as discovering new uses for the same. The reports of this laboratory are translated into English, French and German and are sent broadcast to both Europe and America in an effort to assist the ultimate consumers. The director of the laboratory is in receipt daily of inquiries coming from all over the world from manufacturers asking how soya bean oil may be employed to advantage in the production of their specialties. This service is absolutely gratis and during the few years that the laboratory has been in operation has more than justified its existence.

EXPERIMENT FARM

One experiment farm and permanent exhibition is maintained at Kueiching some forty miles distant from Changchun at the northern extremity of the main line, of the S. M. R. and another near Dairen. These agricultural stations are supported entirely by the railway and in addition to giving information

with regard to the 138 different kinds of soya beans, the proper soils, and dates for planting and harvesting, deal extensively with other crops including various kinds of cereals, such as wheat, rye, oats, barley as well as hemp and sisal. Agricultural conferences are held in both the Spring and Fall and are attended by farmers within a radius of one hundred miles of each. At first the Chinese farmers from Chihli and Shantung, who form the bulk of the settlers in Southern and Central Manchuria were suspicious of the ulterior motives of the Japanese chemists, but when they discovered that by following their advice as to fertilization of land, proper planting and harvesting their crops were increased twice, three and four times they were only too ready to follow out any suggestions offered.

I asked Dr. Uyeda, the secretary of the South Manchurian Railway company in Dairen what the motive was behind the expenditure for maintaining these experimental farms and laboratory and he told me that the railway had no other "motive" than to increase the output of Manchurian products which in turn gave greater revenues to the railway. It is a far sighted policy and proves conclusively that Japan is looked well into the future.

IVANOFF SILENT

Whether or not this same policy exists with regard to the Chinese Eastern Railway is a matter of conjecture. Mr. A. N. Ivanoff, since his appointment as general manager of the C. E. R. by the Moscow Soviet on October 7 has maintained a stoic

silence regarding railway "policies" past or future in all his public announcements. He reminded me however, that the C. E. R. had been financed by Russian capital, had been built by Russian engineers and was the "key-stone" in the Trans-Siberian "Wall" of railways.

"It will be my firm intention to preserve at all times the Russian interests in the railway. The railway is the result of Russian initiative and brains and Russia should reap the reward," Mr. Ivanoff said. I asked him if there were any real intention on the part of his government of turning the railway back to China in 1937 as stipulated by the protocol of organization.

"If China is ready to assume the responsibility and do her share as provided in the Articles of Organization the railway will be turned over without question. Many things may happen before 1937," he added emphatically. He declined to state what "things" he had reference to.

EXTREME ECONOMY

Mr. Ivanoff is pursuing a policy of extreme economy in the management of the line. When he assumed office the railway was in debt more than 12,000,000 gold roubles, which he claimed had been carried over from the previous management. That debt has now been wiped off completely and a surplus of 1,500,000 gold roubles is shown on the books of the company. Mr. Ivanoff told me that he was confident that this surplus would be increased by some 12,000,000 gold roubles before the end of the fiscal year. I inquired if a portion of this surplus would be set aside as

inking fund to pay off the interest on the notes held by the Russo-Asiatic bank and other private investors. He replied in the negative stating that it would be used for the construction of new feeder lines and for the development of timber and mineral concessions held by the railway.

"Nothing can be done with regard to the settlement of the railway debts until the Sino-Russian conference meets. The railway is a joint government enterprise and decisions affecting the future policy of the line, payments of debts, expansions etc., will have to be settled by the delegates of both nations."

As a result of the economy program instituted by Mr. Ivanoff, the railway is paying its debts in a prompt manner. In many instances under the previous administration certificates payable in three months time were given in lieu of cash which were discounted by the banks at rather high rates of interest because frequently the railway postponed the payment of these "bonds" for three and even six months after their due dates.

CREDIT NOW FIRM

The present system of cash payments has created a new air of confidence and optimism in Harbin and many foreign firms are eagerly seeking railway business since the credit of the line has been placed on such a firm footing. China's position in this program of railway expansion is extremely interesting. Will she permit herself to be ousted by either Japan or Russia? The Chinese interests in Man-