

SOVIET
TRADE

FROM THE
PACIFIC
TO THE
LEVANT

WITH AN ECONOMIC
STUDY OF THE SOVIET
FAR EASTERN REGION

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BY

VIOLET CONOLLY

THIS work continues and concludes the author's intensive study of Soviet Russia's economic relations with Eastern countries. The first volume discussed the question in connection with Turkey, Persia, Afghanistan, Chinese Turkistan, Outer Mongolia, and Tana Tuva. Here the scene shifts to the seaboard of Asia and the development of Soviet trade with Japan, China, the Pacific Tropics, India, Arabia, Palestine, Syria, and Egypt.

This exhaustive examination of Russo-Japanese economic relations is especially interesting in view of the attention now concentrated on Far Eastern politics.

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**SOVIET TRADE
FROM THE PACIFIC
TO THE LEVANT**

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TO THE LEVANT

*WITH AN ECONOMIC STUDY OF THE
SOVIET FAR EASTERN REGION*

By VIOLET CONOLLY

Author of
Soviet Economic Policy in the East

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FOREWORD

THIS book is the continuation and conclusion of a study of Soviet economic relations with Eastern countries published in 1933, which dealt with the subject in so far as Turkey, Persia, Afghanistan, Chinese Turkistan, Mongolia, and Tanna Tuva are concerned. Here the same theme is discussed in connexion with China proper and Manchuria, Japan, the Chinese Eastern Railway, India, the Pacific Tropics, Egypt and the Levant, and the Red Sea Basin. The inclusion of a chapter on the Soviet Far Eastern Region may at first sight seem curious in a work which is essentially a study of certain aspects of Soviet foreign policy. On the other hand, it seemed to me impossible to form a just estimate of Soviet Russia's economic policy in regard to either China or Japan, if the nature and needs of the Far Eastern Region—the base of much of this trade—its agricultural and industrial structure and the plans for its development now launched by the Soviet Government, were not in the first instance clearly understood. The very vague and scattered information available in either English, French, or German on this subject, and the virtual dearth of data on the progress of the Five-Year Plans in the Soviet Far East (except in Russian), finally convinced me that a general sketch of the situation was an *a priori* necessity. Even in Russian this information is none too easy to find, unless one is content with the most loose and diverging statements. The picture presented in this book has only taken colour in my mind by combing the files of Soviet publications, and in particular those periodicals, like *Sovietskaya Aziya*, *Ekonomicheskaya Skizn dalnevo Vostoka* (Economic Life of the Far East), *Vestnik Manchurii* (Messenger of Manchuria), *Torgovlia Russii s Vostokom* (Trade of Russia with the East), *Za Industrializatsiu sovetskovo Vostoka* (For the industrialization of the Soviet East), *Sovietskaya Sibir* (Soviet Siberia), which are specially concerned with Far Eastern problems; by analysing the laws and decrees affecting the Far East in the Soviet Union Code of Laws; by checking Soviet planned figures with published statistics of production; and by watching the Soviet press for the disclosures

of the special correspondent, who almost invariably lets the cat of fact out of the bag of fiction, thus rewarding one for perhaps months of tedious investigation.

This research work was, however, greatly facilitated by the invaluable Russian archives of the Ost-Europa Institut, in Breslau, and the *Archiv* of the *Eurasisches Seminar* at the Deutsche Hochschule für Politik, Berlin, where a large range of Russian periodicals are cut and classified most usefully for economic research work. Nothing of the kind exists as far as I know in England.

I should like to remark in passing that only the most casual reader of the Soviet press can fail to find there frequent and sure sidelights on the working of the Soviet economic machine. If judiciously and continuously read, it will in nine cases out of ten provide sufficient data for a good critical estimate of the position even in remote areas like the Far Eastern Region. In spite of the inevitable adulation of Soviet system and policy, as such, it is in my opinion a better guide to the internal *status quo* than either the Nazi press of Germany or the Fascist press of Italy (and I have lived in both countries while writing this book).

I am very deeply indebted to the Rockefeller Foundation for a Research Travelling Fellowship which I enjoyed from 1933 to 1935 and as a result of which I was enabled to pursue my research work in the libraries of Germany, Paris, and Geneva under ideal conditions, as well as to travel in Turkey, Syria, Palestine, and Persia.

Russian material is notoriously difficult of access at the present time both in Germany and Italy, where most of this book was written. That no administrative difficulties were long allowed to obstruct my work I have to bless the presence in Berlin and Rome of the respective Ministers of the Irish Free State, their Excellencies Charles H. Bewley and W. B. Macauley, who were always ready to explain my case to the authorities and to get me what I wanted. And, it should be added, the authorities in both countries eventually proved most reasonable.

I would like to thank the following bodies for generously placing their archives and libraries at my disposal, and the

staff in each case for collaboration which far exceeded the requirements of duty:

Eurasisches Seminar (Hochschule für Politik), Berlin (where the

Archivist Frau Bestak was an indefatigable collaborator).

Gesellschaft zum Studium Ost-Europas, Berlin.

Instituto Internazionale d'Agricoltura, Rome (where MM.

Lungobardi and Grinenco helped me over many statistical stiles).

Ost-Europa Institut, Breslau.

Wirtschaftsinstitut für Russland und die Randstaaten, Königsberg.

Many times in the preparation of this book difficulties of one kind or another have been solved for me by the goodwill and unfailing resourcefulness of the staff of the Royal Institute of International Affairs. I hope that, in particular, Miss Cleeve, Mr. G. E. Hubbard, and the two librarians, Miss Grindrod and Miss Stiff, will accept this tardy word of gratitude for the help they have given me.

VIOLET CONOLLY.

ROME,

February 1935.

CONTENTS

FOREWORD	v
I. THE SOVIET FAR EASTERN REGION.	i
(a) General features.	
(b) Sakhalin.	
(c) Economic Resources (Mineral, Agricultural, Fisheries).	
(d) The Five-Year Plans and the Far Eastern Region.	
(e) Colonization.	
(f) Birobidjan.	
(g) Trade and Trading Organs of the Far Eastern Region.	
(h) Vladivostok.	
II. SOVIET ECONOMIC RELATIONS WITH JAPAN	33
III. SOVIET ECONOMIC RELATIONS WITH CHINA	52
IV. THE CHINESE EASTERN RAILWAY—BONE OF CONTENTION BETWEEN RUSSIA, CHINA, AND JAPAN (1917-1934)	65
V. SOVIET ECONOMIC RELATIONS WITH INDIA, WITH A NOTE ON SOVIET TRADE WITH THE PACIFIC TROPICS	88
VI. SOVIET ECONOMIC RELATIONS WITH EGYPT	98
VII. SOVIET TRADE WITH THE LEVANT, 'IRAQ, AND THE RED SEA BASIN	105
VIII. SOVIET TRADE FROM THE PACIFIC TO THE LEVANT (SUMMARY)	118
APPENDIXES	126
I Text of decrees releasing the Far Eastern Region from the strict enforcement of the Foreign Trade Monopoly.	
II Text of Soviet decrees affecting Far Eastern colonization.	
III Text of the Fisheries Convention between Russia and Japan (1907).	
IV Japanese Memorandum on the exploitation of coal and oil in North Sakhalin presented to the Soviet Government in August 1924.	
V Protocols re Concessions affixed to Russo-Japanese Agreement of 1925.	
VI Fisheries Agreement between the U.S.S.R. and Japan (1928).	

- VII Agreement on General Principles for the Settlement of Questions between the Republic of China and the U.S.S.R. 1924.
- VIII Documents concerning the C.E.R.:
- (A) Contract covering Construction and Operation of the C.E.R. (1896).
 - (B) Statutes of the C.E.R. (1896).
 - (C) Karachan Declaration of 1919.
 - (D) Supplement to the Agreement for the Construction and Exploitation of the C.E.R. (1920).
 - (E) Agreement for the Provisional Management of the C.E.R. (1924).
 - (F) Habarovsk Agreement (December 1929).
 - (G) Statement concerning suspension of direct freight transit at the Pogranichnaya frontier (May 1933).
 - (H) Statement of the Manchukuo Delegation. Tokio, Aug. 15, 1933.
 - (I) The Chinese Eastern Railway Sale Agreement (March 23, 1935).
- IX Decree of the High Commissioner of the French Republic in Syria concerning customs tariffs (1926).
- X Decree of the High Commissioner of the French Republic regulating commercial exchanges between the U.S.S.R. and the French Mandatory States of the Levant (Dec. 1933).
- XI Table showing details of Soviet exports of timber to Japan, China, India, and Egypt.
- XII Text of Treaty of Friendship between the Yemen and the U.S.S.R. (July 1928).

BIBLIOGRAPHY 228

MAPS

- (1) Illustration from *Pravda* (Jan. 8, 1933) showing development of Soviet Fishing Industry, 1933. (Chap. I, facing page 1.)
- (2) Map of Far Eastern Russian littoral indicating places excluded from the scope of the Fisheries Conventions with Japan (1907, 1928). (Chap. II, facing page 35.)
- (3) Railway Map of Manchukuo, showing C.E.R. and new lines intersecting it. (Chap. III, page 67.)
- (4) Map of the Soviet Far Eastern Region showing economic resources, &c. (At end of book.)

I

THE SOVIET FAR EASTERN REGION¹

(a) *General Features*

THE Soviet Far East is the greatest anomaly in the Union. Its enormous territory of 2,333,500 sq. km., stretching from Kamchatka to the Amur, is one of the most thinly populated areas in the world, i.e. 0.7 inhabitants per square kilometre.² Its coastline of 11,000 miles supports more Japanese fishermen than Russians. It is a land of great potential wealth, but actually more primitive and poorly developed than any other on the Pacific seaboard. When there has been progress, as in the coastal fisheries from Kamchatka to the Primory and in the coal-mines and oil-wells of north Sakhalin, the Japanese and not the Soviets have been the pioneers. The 'sovietization' of this region, more than 8,500 km. remote from Moscow, has been, even on the showing of Bolshevik writers, extremely tardy. The most optimistic reports do not regard it as a *fait accompli* before 1925,³ and there is a good deal of evidence in favour of a much later date. That feverish industrial activity which characterized the central and western provinces of the U.S.S.R. during the first Five-Year Plan had scarcely begun to show its head east of Lake Baikal in 1932. Here until quite recently, apart from the fundamental innovations of the Soviet system, the slow currents of economic life followed much the same course as under the Imperial régime. The trade balance is still passive, and practically everything needed for the simple life of the inhabitants is imported either from European Russia, Manchuria, or Japan. Wheat comes from Europe and Manchuria; meat, dairy produce, fats, fodder, beans, poultry also from Manchuria. Sugar and rice from Japan (and not vice versa, as is generally supposed). Salt for the fishing in-

¹ All works marked with an asterisk are in Russian.

² The population of the Far Eastern Region according to the 1926 census was 1,294,800, of which more than 240,900 were Chinese, Japanese, and Koreans. Cf. Artamonov, D.C., *Transport and Trade on Eastern Frontier of U.S.S.R.*,* 1928; *Narodnoe Khozyaistvo*, 1932.

³ Cf. *Econ. Sjižen dalgoo Vostoka*, January 1925.

FROM FEUDAL CRAFT— TO POWERFUL FOOD INDUSTRY

THE FIVE-YEAR PLAN IN THE FISHING
INDUSTRY OVERFULFILLED.

According to the Five-Year Plan II,
4 mil. centners of fish should be pro-
duced in 1933.

The fishing industry produced 13,3 mil.
centners of fish in 1932.

CHART SHOWING TECHNICAL
RECONSTRUCTION OF FISHING
INDUSTRY OF THE U.S.S.R. IN
FIRST FIVE-YEAR PLAN.

ТАРНОГО ПРОМЫСЛА—К МОЩНОЙ ПИЩЕВОЙ ИНДУСТРИИ.



**Пятилетка
рыбной промышленности
перевыполнена.**

По пятилетнему плану намечалось выловить
в 1933 году 11,4 млн цент. рыбы.
Рыбная промышленность дала в 1932 году
13,3 млн цент. рыбы.

Карта-схема технической реконструкции рыбной промышленности СССР за первую пятилетку.

Translation of Russian terms from top
right-hand corner of illustration.

- CHUKOTSKY PENINSULA:
1 Canning Factory.
3 Whalers.
- KAMCHATKA:
Eastern coast, 7 Canning Factories.
Western coast, 12 Canning Factories.
20 Trawlers.
- SAKHALIN:
2 Canning Factories.
1 Cold Store.
- VLADIVOSTOK:
7 Canning Factories.
9 Drifters.

Translation from left bottom to top
right corner of illustration.

- KAZALINSK:
1 Cold Store.
- CASPIAN SEA:
9 Drifters.
- ASTRAKHAN:
2 Cold Stores.
1 Fishing Combinat.
- GUREV:
50 Drifters.
1 Cold Store.
- AZOV-BLACK SEA AREA:
3 Cold Stores.
- KERTCH:
1 Trawler.
- LENINGRAD:
2 Trawlers.
- L. ONEGA:
1 Canning Factory.
- ARCHANGELSK:
2 Trawlers.
- MURMANSK:
40 Trawlers.
1 Cold Store.
- RIVER OB:
3 Canning Factories.
- ARCTIC OCEAN:
Whaling Base.
- RIVER YENISEI:
1 Canning Factory.

dustry from the Crimea or Japan. Benzine and kerosene from Batum. Even prepared timber often appears on the import list. Thus a region rich in virgin forests, containing large tracts of arable land and lying within a stone's throw of Sakhalin, can neither feed itself nor utilize its own building materials or fuel for lack of the necessary communications and equipment.¹ In the relentless eyes of the Soviet Government the special need of foreign goods in the Far Eastern Region so far justified itself that the Foreign Trade Monopoly was early relaxed by a series of decrees,² so as to permit the free entry of a number of foodstuffs and manufactured goods. The *per capita* percentage of foreign trade is higher there than elsewhere in the Union. As recently as October 1932 *Economicheskaya Sjizn* (4.x.1932) published figures showing that the grain production of the Far East only covered one-third and meat and fatty oils only one-tenth of consumption. The few industries which existed in the country on the eve of the second Five-Year Plan were mostly in the neighbourhood of Vladivostok and Habarovsk, i.e. flour-milling, distilling, leather, and bean oil factories.

(b) Sakhalin

The island of Sakhalin, territorially forming part of the Soviet Far Eastern Region, is a chapter in itself. In Soviet Sakhalin progress both social and economic has been even slower than on the mainland. The total population has grown from 28,000 in 1897 to 307,055 in 1933,³ but most of this increase has taken place in Southern or Japanese Sakhalin. Japan in the space of about fifteen years has settled some 22,000 people in a bleak rough country. She has built a railway, seven towns, and three harbours, while Northern or Soviet

¹ The first supplies of Sakhalin crude oil to be refined in the Far Eastern Region were delivered at the new Habarovsk cracking plant in July 1934. Cf. *Bulletin of Economic Information of the Chamber of Commerce of the U.S.S.R., Moscow*, August 8, 1934. 'We send 2,500 tons of kerosene every year to the Far East and pay for its transport in valuta. The opening up of the oil wealth of Sakhalin offers us advantages of an international political character, for in the complex tangle of territorial interests and mutual relations of the Pacific seaboard, oil is no insignificant factor.'

² Cf. Appendix I for text of relevant decrees.

³ Cf. *Petermanns Mitteilungen*, Heft 1/2, 1933, p. 13.

Sakhalin is still a wilderness with about 5-6,000 colonists to its credit during the same period.¹ *Pravda* in 1931 lamented the fact that until that year the native inhabitants of Soviet Sakhalin were considerably behind the general *tempo* of socialistic construction in the U.S.S.R., and declared that 'Kulaks, rich grabbers who owned the greater part of the productive forces, endeavoured by all the means at their command to prevent the expansion of sovietization, agitating and giving vent to their dissatisfaction with the Soviet authorities'. Such is the official apologia for the backward state of affairs in Sakhalin.²

Endowed by Nature with rich oil, coal, and timber resources, but exposed to terrific storms for most of the year, Sakhalin resembles a pearl lost in a rough sea. The climate makes colonization and the extraction of this natural wealth extremely difficult and expensive. On account of the lack of proper ports and the inclement weather ships must anchor for nine months of the year a mile out at sea. This is a heavy handicap for the increasing exports of oil and coal from the island and was recognized by the Soviet Government in the provisions for port and transport facilities made for Sakhalin in the second Five-Year Plan. The Soviet authorities only started boring operations on their section of the Sakhalin oil-fields (alongside of which the Japanese had been active since 1926) in 1928. In order to obtain the necessary equipment for this purpose, the Soviets approached Japan with a view to obtaining a three years' credit of a million yen. Japan quite naturally had no interest in co-operating with the U.S.S.R. in this matter, and was only induced to do so when the Soviets threatened to appeal for aid to the Standard Oil Co. if Japan failed to oblige them.

The petroleum resources of Sakhalin are undoubtedly very large. A conservative estimate made a few years ago fixed them at 300,000,000 barrels, though geological information regarding the island is far from complete.³

¹ Cf. Mende, G. von, *Studien zur Kolonisation in der Sovietunion*, Ost-Europa Institut, 1933; *Gaskolonit*, vol. xi, 'Problems of commercial colonization within Plan economy and socialized construction'.

² Cf. *Pravda*, 5.xi.1933.

³ Cf. the *Petroleum Times*, vol. xxviii, pp. 291-2, 1932. 'The Oil Industry in U.S.S.R.'

The Russian production of oil in Sakhalin has been as follows since 1928:

	<i>In tons¹</i>	
1928	.	17,000
1929	.	26,000
1930	.	96,000
1931	.	133,172
1932	.	202,800

The coal reserves of Sakhalin have been estimated at 500,000,000 tons.² This coal ranks high in quality both for steam use and coking.

(c) *Economic Resources of the Soviet Far Eastern Region*

(i) *Mineral resources.* The mineral resources of the Far Eastern Region have inspired a confusing mass of extravaganzas in which conjecture and optimism for the most part replace proven geological data. The only sober analysis of the whole subject published in recent years is Torgashev's *Mineral Production and Resources of the Far East* in Russian, a careful study made for the Chinese Eastern Railway.³ Torgashev frankly admits that only about three-quarters of the Russian Far Eastern territory has been geologically surveyed. There has long been local knowledge of a large variety of minerals and precious metals, e.g. coal, iron, zinc, silver-lead ore, gold, silver. . . . Beyond the existence of these deposits, in many cases, very little information is forthcoming and nobody can yet say with certainty whether they are important enough to warrant the capital expenditure necessary for their development or not. Before there can be any serious question of large-scale production of the mineral resources of the Far Eastern Region, large areas must be opened up by communications, where at present there are not even roads. And in cases where mines are being worked, the primitive hand methods of extraction now almost universally employed must be replaced by machinery. In East Kamchatka there are

¹ Cf. *Sotzialisticheskoe Stroitelstvo*, Gosizdat, Moscow, 1933. *Industrie und Handel*, op. cit., for figures of production from 1928 to 1931.

² Cf. H. Foster Bain, *Ores and Industry in the Far East*. Council on Foreign Relations, New York, 1933, p. 66.

³ Cf. Harbin Press of the C.E.R., 1927. *Gornaya Produktziya i Resursi dal'nogo Vostoka*.

deposits of gold, platinum, silver-lead ore, iron, coal, and oil. All are only very partially surveyed or developed.

Coal. Torgashev estimated the known coal resources of the Far East at 3,000,000,000 tons (including the deposits of Sakhalin), but adds: 'no Russian geologist would dare to forecast what quantities of coal may be lurking unexplored in the depths'. The best-equipped mines are at Suchan and Cheremchova, which between them supply most of the coal for the Amur and Ussuri railways, though they are about 4,500 km. apart. Coal has to be brought enormous distances to feed the Amur line,¹ because the many deposits of local coal are either sub-standard quality or badly worked. Efforts are now being made to speed up production in these coal-mines in the Amur basin, in view of the falling production at Suchan.² The Soviet press has frequently criticized the Far Eastern economic organs for their failure to develop the coal reserves more satisfactorily. In 1933 *Izvestiya* declared: 'the coal industry of the Far East continues to work on the old lines, sabotage prevails. Party decrees are ignored' (16.ix.1933). Interest is at present concentrated on the Burea coal-fields which lie between the Zeya and Burea rivers to the north of the Amur railway, and are reported to be extensive. Mining operations still await the final report of the Soviet Geological Expedition which was to proceed to the Burea basin in April 1934. From the meteorological aspect the mines are unfortunately situated. The winter climate usually falls to 50° below zero. In summer the rivers constantly change their courses, leaving a wide expanse of swampy ground.³ Mining under these conditions will not be an easy or remunerative task.

Iron. Even less is accurately known of the iron deposits of the Far Eastern Region than of its coal. The country is still dependent on imported iron, though both the first and second

¹ The chief coal-mines of the Far Eastern Region are the Suchan, Sakhalin, Artemovsky, Burea, Bouchanovsky, Chernovsky, Korfa Bay (Kamchatka), Anadyr River coal-fields.

² Cf. *Transportnaya Gazeta*, 15.vi.29, for article 'Fuel and Transport': Almost half the coal used in fuelling the Amur and Ussuri lines is consumed in transporting it.

³ Cf. *Pravda*, 3.iv.34, 'Burea the future Donbas of the Far East'; *Za Industrializatsiu*, 18.iv.34.

Five-Year Plans stress the necessity for developing a Far Eastern metallurgical industry (cf. section on Five-Year Plans below). The mines now being worked are in the Little Chingan mountains and at Belgorodsk, some 40 versts from St. Olga Bay in the Maritime Province. There are no official figures of production.¹

Gold. Since the Russians settled on the Amur in the eighteenth century they have been washing the river and its tributaries, the Zeya and the Bureya, for gold. Gold is also found in Okhotsk. Even approximately accurate figures of the gold deposits of the Far Eastern Region do not exist. Anert, a Russian geologist, estimated the total gold wealth of the region at 6 million kg.² Most of the gold in this part of the world is alluvial, and its extraction, owing to the harsh climatic conditions and scanty population, is extremely difficult and expensive. Since 1908 mechanical methods (dredging, hydraulic mining, &c.) have been in use in the Zeya-Burea region. No regular statistics of production are published. The Soviet Government is disposed, in the case of the gold-mining industry in particular, to issue percentage figures invariably showing an increase in production, but withholds the absolute figures, which are, of course, the only key to the position. The total value of gold produced in the Far Eastern Region has probably considerably fallen since 1916, when according to a Russian estimate it was 3,000,000 American dollars.

Value of gold mined in Pacific countries

(In millions of American dollars) 1916³

Alaska	14,671	Australia	40,475
Canada	19,235	Dutch Indies	3,000
Western States of U.S.A.	24,462	China	4,495
Mexico	7,690	Japan	9,308
Central America	3,517	Russian Far Eastern Region	3,000

Writing in 1925, a Soviet economist, with the complacency of his fellows, declared: 'In view of the exhaustion of gold deposits in adjoining countries, the time is rapidly approaching

¹ Cf. *Narodnos Chozyaistvo*, 1932.

² Cf. *Sibirskaya Sovietskaya Entsiklopediya*, p. 771; *Sibirskoe Kraevoe Izdatelstvo*, Novosibirsk, 1929.

³ Cf. *Ekonom. Sviizn dal'nego Vostoka*, June 1925.

when foreign capital in the gold-mining industry will be obliged to seek concessions in the Soviet Far East.¹

Zinc. It is a little-known fact that zinc from the Soviet Far Eastern Region is being exported in annually increasing quantities to Europe via the Suez Canal. The shipments are made from the port of Tetioukhe, which lies about 250 miles north of Vladivostok and is connected by rail with the zinc deposits. Though hitherto these zinc cargoes have been relatively small, they have raised the share taken by the Far East in zinc cargoes passing through the Suez Canal from 7·3 per cent. in 1927 to 24·3 per cent. in 1934.

Cargoes of zinc from Soviet Far Eastern Region passing through the Suez Canal²

9,000 tons	1927
15,000 "	1928
18,000 "	1929
18,000 "	1930
6,000 "	1931
15,000 "	1932
11,000 "	1933
24,000 "	1934 (first 9 months of 1934)

There are many indications of the existence of other minerals and precious metals in the Far Eastern Region. Their exact extent and value are, however, still undefined. The pages of Soviet economic bulletins and journals are nevertheless peppered with unsubstantiated data like the following: 'The expedition sent to investigate the causes of the annual Amur floods discovered 29 magnetic iron reserves as well as 19 copper and 3 lead mines, platinum, bismuth, arsenic, wolfram, molybden, gold, rock-crystal, asbestos, coking coal deposits, all kinds of building materials, including stone for cement. . . .'³ Such loose statements automatically suggest 'the slender resources of Far Eastern geologists in *cadres* and equipment'.⁴

(ii) *Agricultural resources and fisheries.* The forests and fisheries of the Far Eastern Region are actually its two chief sources of

¹ Cf. *Ekon. Sjičn dalnevo Vostoka*, June 1925.

² Cf. Nikitine, B., *Les Transports en Asie russe*, Société d'Études et d'Informations, Paris, January 1935. Supplement to the *Bulletin quotidien*.

³ Cf. *Pravda*, 22.iii.1933.

⁴ Cf. *Za Industrializaciju*, 18.iv.1933.

productive wealth. Both are very rich, varied, and extensive. In the development of both the Japanese have played an important part as concessionaires. The most accessible reserves of timber, consisting of cedar, oak, pine, fir, and larch, are on the slopes of the Sikhotealin in the Maritime Province. The total forest area in the Far Eastern Region covers 96,301 th. ha. or 10 per cent. of the area under wood in the U.S.S.R. The production of timber in the Far Eastern Region rose from 410.8 th. cub. m. in 1928-9, or 2.7 per cent. of the production in the U.S.S.R., to 633 th. cub. m., or 2.9 per cent. of the total in 1932.¹ Lack of communications, equipment, and even skilled woodcutters have greatly hampered the timber industry, while the selling and marketing ends of the business were long badly managed by *Dalles*.²

The Fisheries. Until 1928 the development of the fishing and canning industries in the Russian coastal waters of the Far East was almost entirely in the hands of the Japanese. Before the War the great fishing-grounds of Russia were the Caspian, Aral, and Azov-Black seas, which supplied 65 per cent. of the total production of fish. The enormous wealth of the Far Eastern fisheries was practically unexploited by Russia. During the War the Japanese greatly increased their fishing operations along the Russian Pacific coast, and it was not until the appearance of the first Five-Year Plan in 1928 that a definite impetus was given to the Russian Far Eastern fishing organizations. In 1913 only 9.7 per cent. of the Empire's fish supply came from the Far East. In 1931 this percentage had risen to 27.5 per cent.³ The Russian fishing industry had inherited no experience of deep-sea fishing from the pre-revolutionary period and depended to a great extent on Japanese skilled labour. Efforts were made between 1928 and 1930 to abandon the old practice of seasonal work in the fisheries and to settle the coast of the Maritime Province and Kamchatka with fisherfolk. For the first time in 1933 the Russians announced, to the consternation of the Japanese, that they would require

¹ Cf. *Sotzialisticheskoe Stroitelstvo*, Moscow, 1934.

² Cf. *Econ. Sžizn dainovo Vostoka*, January 1925.

³ Cf. *Pravda*, 8.i.1933: 'From backward peasant industry to great food industry'.

no more Japanese fishermen, having employed 2,200 in crab-fishing alone in 1932. In 1928 the Russians only possessed one floating crab-canning factory. In 1930 they were operating nine and had started competing against Japanese tinned crab on the London and American markets. In 1929 drifter-seiners were unknown in the Russian industry. In 1933 the Soviet Far Eastern Industry had acquired four and had greatly increased its fleet of motor trawlers since 1929 when they were first introduced. The number of fishing-grounds available for the Japanese at the annual Vladivostok auctions had been reduced by one device or another by the Soviet authorities in favour of their own fishing interests. The result is that Japanese production from these waters has been falling since 1930.¹ Greater energy has been shown and better results obtained here by the Soviets than in any other industry in the Far East. There is no mistaking the determination to dominate it in time, though a great deal still remains to be done. In 1931 the plan was only fulfilled 7 per cent. and the reports of the fishing industry published in *Pravda* and in *Izvestiya* at the end of the year were very unsatisfactory.² 'Not a few of the irregularities paralysing the plan', declared *Izvestiya*, 'are to be found in the misuse of boats and technical equipment. It is clear from local reports that the Fish Trust is not properly organized. Discipline is poor' (4.xi.1931). Fish represents 54 per cent. of the total food production of the Far Eastern Region or 3.1 per cent. of the total food production of the U.S.S.R.³ Minus fish, the contribution of this vast territory to the Union food supplies is only 1.6 per cent., placing 'the food industry of the Far East on a very low plane'.⁴ The efficient Japanese enterprises have set high standards of production which the Russians are gradually adopting. They have also led the way to a valuable export trade which the Russians would like to snap out of their nets. The second Five-Year Plan demands a yield of 380,000 tons of fish from the Far East in 1937.

¹ For details of Japanese production cf. Chap. II, *Soviet Economic Relations with Japan*.

² Cf. *Pravda*, 19.iv.1931; *ibid.* 27.xi.1931; *Izvestiya*, 19.xi.1931.

³ Cf. 'Geographical Distribution of the Food Industry in the Second Five-Year Plan', * *Snabstexizdat*, Moscow-Leningrad, 1932.

⁴ *Ibid.*

Grain and Rice. The quantities of grain crops, vegetables, and fodder grown in the Far Eastern Region are insignificant and entirely inadequate for the needs of the population. Little wheat, barley, or millet is produced, large quantities being imported up the Sungari from northern Manchuria. In spite of the stress long laid officially on the importance of rendering the Far Eastern Region self-sufficient in these essential food-stuffs, the latest published figures show that, instead of an increase in the total sown area in the Far Eastern Region, since 1928 this area has been steadily decreasing. There has been a slight increase in the area sown with industrial plants and fruit, but the relatively large decline in the grain crop hectareage has pulled the total figures down heavily.

Sown area in the Far Eastern region.¹

(In thousands of ha.)

Year	Winter corn	Spring corn	All grain	Industrial plants	Fruit	Fodder	Total
1927	74.8	1,169.7	1,238.5	56.8	54.1	32.3	1,328.5
1928	59.0	1,291.7	1,350.7	64.6	54.1	30.8	1,452.7
1929	45.3	1,138.3	1,183.6	77.4	51.4	26.9	1,317.2
1930	36.3	682.7	719.0	69.5	54.0	24.0	853.0
1931	34.0	739.2	773.2	139.4	53.2	4.5	936.2
1932	51.0	737.6	788.6	99.2	47.0	15.9	900.0
1933	26.9	796.5	823.4	85.4	55.4	7.1	955.8

The Maritime Province is one of the areas specially selected for rice culture in the U.S.S.R. As a result rice is now being grown farther north than was formerly thought possible. The plantations on the shores of Lake Hanka covered 4,200 ha. in 1933 and produced 97,000 centners of rice.² They should have a promising future, as the soil and climate are suitable for rice-growing and the Korean settlers who work the plantations excel at this work.³ Up to the present, however, the rice crop does not even suffice for local consumption. Japan is still a large exporter of rice to the Maritime

¹ Cf. *Sotzialisticheskoe Stroitelstvo*, op. cit., 1934.

² Cf. *Izvestiya*, 8.1.1934.

³ Cf. Gordienko, Dr., 'Der Reisbau in Russland', *Der Kulturtechniker*, Heft 2, April-June 1933.

Province and the exports are not declining, as the following table shows.

*Exports of rice from Japan to Asiatic Russia.*¹

(In thousands of yen)				
1930	1931	1932	1933	1934
743	382	457	412	484
(In tons)				
3,796	2,932	2,875	2,602	2,896

The second Five-Year Plan calls for an increase of 200 per cent. in the area under rice in the Far East by 1937. The failure to reach planned results in any branch of agricultural production so far in the Far Eastern Region does not encourage optimism on this score.

(d) *The Five-Year Plans and the Far Eastern Region*

The Soviets have always reproached the Czarist administration in the Far East for its inability to develop either the resources of the region or to aid its inhabitants to become successful settlers and taunted their predecessors with treating the country as a colony with some useful raw materials. These glib propagandists too easily forget the difficulties facing any intensive development schemes in this most remote part of the Union. In their public pronouncements they also conveniently ignore the fine scientific work of the Imperial Academy Expedition sent to explore the resources of the Amur basin and the Primory in 1909-11. As a result an invaluable series of reports were duly published on the eve of the War, in which all the possibilities of trade and industry and the needs of the whole area were carefully investigated.²

What is the Soviet record?

Many conferences and special committees in Moscow and Vladivostok debated the future of the Far Eastern Region before the first Five-Year Plan laid down its definite stipulations for improving industry and transport in 1928. In particular may be mentioned the Conference for the Investigation of the Productive Forces of the Far Eastern Province held in

¹ Cf. *Financial and Economic Annual of Japan, 1930-4.*

² Cf. *Trudi komandirovannoi po visochaishemu povelenu Ekspeditsii, Kirschbaum, Petrograd, 1911-12.*

1926 and the first Regional Far Eastern Congress of Soviets which met in March of the same year.¹ Neither assembly allowed the *tembo* of its constructive imagination to be arrested by a practical consideration of ways and means, while a vast programme for developing mines and forests in the Soviet Far East and establishing industries was grandly outlined. At the first Regional Far Eastern Congress of Soviets, Kalinin stressed another, political, aspect of the Far Eastern problem which is very popular with disciples of the Third International. 'The Far Eastern Region', he said, 'occupying a special geographical position at the point of juncture of our great Union of Soviet Socialist Republics with the powerful imperialistic states and the exploited East, must become a strong unassailable outpost of the workers and peasants of our Union against the capitalistic world, as well as a shining example and hope for the oppressed peoples of the Orient.'²

The first Five-Year Plan of 1928,³ therefore, in so far as the Far East was concerned gave official sanction to ideas which had long been in the air. Both for economic and strategic reasons colonization of this sparsely inhabited land was realized to be of primary importance. The first Five-Year Plan proposed to settle 780,000 people in the Far East before 1932. Two hundred and ninety-eight million roubles capital investment was to be sunk in industries, i.e. metallurgy, fishing, textile, leather, chemical, paper, food, building materials (bricks, glass, &c.). To promote electrification 14 million roubles were allotted for the construction of the South-Primorsky Regional Station which would embrace the southern parts of the Ussuri railway. The coal industry at the Suchan, Cheremchovsky, Artemovsky, Tavrichansky, and Kivdinsky mines was to be expanded and modernized. The total production of coal from the Far Eastern Region was fixed at 4,000 th. tons for 1932. With regard to all these different projects the Plan complacently remarks: 'It may almost be said that the basis for the development of the Far Eastern Province is to be found in Japanese needs; a market survey of the coal

¹ Cf. *Econ. Sjizn dal'nego Vostoka*, No. 1, Jan. 1928.

² *Ibid.*

³ Cf. *Gosplan S.S.S.R. Piatiletii Plan Narodno-Chozyaistvennogo Stroitelstva S.S.S.R.* vol. iii. Izdat, *Planovoe Chozyaistvo*, 1929, chap. xiv, p. 283.

resources of China and Manchuria leads to the conclusion that there will soon be a considerable market for coal in the Far East which might be supplied by the Far Eastern Region. The same applies to iron. . . .¹

The Plan pressed for an output of 464,000 tons of oil from Sakhalin by 1932, and fixed the capital investment in the industry over the same period at 37 million roubles.

In order to reduce the large imports of sugar to the Far East from European Russia and Java, a sugar factory was to be erected at Nikolsk-Ussuri with a production capacity of 12,000 centners.

It was pointed out that the Far Eastern Region still showed a deficit of 13-16 million roubles in the State Budget and had an unfavourable balance of trade. The Plan frankly stated that 'in the entire Far Eastern Province there is only one chausée of 12 km.', and emphasized the need of improving transport in the interests of trade. The chief capital investments for this purpose were to be: (1) a branch line of the Amur railway to the port of de Castries so as to facilitate the Lake Kiz timber 'combinat'; (2) a branch line of 50 km. from Oborsky to Kroglikobo on the Ussuri railway. Even the tonnage and freight turnover in the various Far Eastern ports was planned. 'At the end of the Five-Year Plan period its [i.e. the Ussuri railway] freight will exceed pre-War by forty-eight times. Transit freight from North Manchuria is playing a large part in this development.' Alas, this was written in the peak years of the bean traffic via Vladivostok. The planners were reckoning without their host. Instead of an increase of 48 per cent. or even 1 per cent. on the Ussuri line, the transit traffic to the Ussuri railway from Manchuria has violently slumped since 1931 and in 1933 was almost nil.¹

Such in the main was the first Five-Year Plan of the Far Eastern Region. The five years envisaged have now run their course. What has been achieved?

After the publication of this first Plan no news of any special industrial activity in the Far East was revealed by the Soviet press or elsewhere. The Soviet press correspondents occasion-

¹ For details cf. section *Vladivostok* below and Chap. IV, 'The Chinese Eastern Railway.'

ally sent to Vladivostok or farther afield gave the most discouraging accounts of the general disorganization and lethargy encountered, especially in the fishing and timber industries.¹ In official statistics the production of the Far Eastern Region was uniformly below planned requirements. The attempts at colonization made by the Soviet authorities were shown to be a complete fiasco,² though *Za Industrializatsiu* in an article entitled 'The F.E.R. on the brink of two Five-Year Plans' (xi.4.1932) ventured to state that 'the population has grown by 25 per cent. and [oh! cryptic words!] the *cadres* of the industrial proletariat have increased by 64 per cent.' There are of course no round figures to prove these statements. On the contrary, the lack of adequate labour forces was everywhere felt as much as the lack of equipment.

The production of coal and oil in Asiatic Russia was found to fall far short of planned requirements at the end of the first Plan period in 1932. The production of coal in 1932 was 1,977 thousand tons, i.e. 4.1 per cent. of the total output, instead of the planned 4,000 thousand tons. At the same time the production of oil in Soviet Sakhalin was 201.2 thousand tons in place of the 464 thousand tons ordered by the plan.³

A cement factory was built in Spassk, and in 1932-3 on the eve of the second Five-Year Plan the 'Fishing net and tackle Combinat' and the Cracking Plant in Habarovsk were started. There is little else to record. In their joint analysis of the second Five-Year Plan,⁴ Molotov and Kuibuishev admit more or less officially that 'the F.E.R. was only poorly developed under the first Five-Year Plan. Under the second Five-Year Plan economic absurdities must be eliminated.' The situation was impartially summed up by a Soviet journal, *Sovietskaya Aziya*, at the end of 1931 as follows: 'The Five-Year Plan is far from being fulfilled (in the Far East). Party orders are not carried out, and so the ideal of the Far Eastern Province as an industrialized export base for the Russian Far East is still a complicated dream . . . for a hypothetical future.'⁵

¹ Cf. *Trud*, No. 138, 19.vi.1929; *Ibid.* 9.vi.1929; *Econ. Sfiern*, 20.i.1930.

² For details cf. section (e) below, *Colonization*.

³ Cf. *Sotzialisticheskoe Stroitelstvo*, 1934. *Izvestiya*, 10.ii.1933.

⁴ Cf. Molotov, V., and Kuibuishev, *O vtoroi Pyatiletke*, p. 63 Part. Izdat. 1933.

⁵ Cf. *Sovietskaya Aziya*, No. 9, x. 1931.

During the period immediately preceding the second Five-Year Plan and coinciding with its inception great political changes were taking place on the other side of the Amur. Rapidly and definitely the Japanese made themselves masters of North Manchuria and incidentally in all but name of the Chinese Eastern Railway. The Soviet Government found themselves facing an old and distrusted enemy across a partially disputed river frontier,¹ an enemy which had also once shown a marked predilection for Soviet territory in the Maritime Province and Eastern Siberia. Such were the conditions in which the second Five-Year Plan was born in 1933. The All-Union Conference for the Localization of Productive Forces in the second Five-Year Plan² had already forecast the new trend of this Plan. Whereas all the big industrial centres had been established in European Russia under the first Five-Year Plan, 'a just Marxist-Lenin localization of productive forces points to a movement Eastwards', declared the Conference. About the same time, Strumlin, a member of the Academy, expressed certain novel (although undoubtedly official) views regarding the industrialization policy in the East.

'According to bourgeois theory,' he declared, 'industries can for the most part only be established where labour is available. Such a premise is of course entirely unacceptable for us. The advantage of establishing new industries in areas where large labour forces are at hand are naturally clear under private capitalism. Then it is not necessary to construct dwellings, &c., and on the other hand no money need be expended on the transport of workers. However, such items are of interest only to trusts, cartels, or other private economic units. They simply do not count for an economic system like the proletarian.'³

When an Academician can talk such arrant nonsense, it is no wonder that the execution of the Plan has so often failed in practical details.

The second Five-Year Plan was the pivot of the discussions

¹ Cf. Warneck, 'Zur Frage der Staatsgrenzen von Manchukuo', *Zeitschrift für Geopolitik*, April 1934. Cf. *Gow-Bab*, 21.v.1933.

² Cf. *Ekon. Sjizn*, 27.iv.1932.

³ Cf. *Ekon. Sjizn*, 4.x.1932: 'The Far Eastern Region and the second Five-Year Plan.'

at the seventeenth Congress of the Communist Party in February 1934.¹ All the chief speakers alluded at length to the Far Eastern problem and to the new orientation of the Plan towards the East. Molotov, Kuibuishev, and Voroshilov also pointed out the importance attached to improving transport by rail, water, and road in the East.

'From all the new railway transport plans', declared Molotov, 'the building of the Baikal-Amur line rises majestically, with a total length of 1,400 km. It will unite Transbaikal with the lower Amur and will make it possible to draw a huge territory hitherto to a certain extent inaccessible to man, into economic life. . . . In the second Five-Year Plan special attention will be given to hitherto undeveloped areas, i.e. the Far East. Stalin has said already that the old division of our country into industrial and agrarian has lost its meaning.'²

On the following day Kuibuishev described in greater detail the planned measures for improving communications in the Far East: 'The Amur and Ussuri lines are to be double-tracked. A road traversing Sakhalin from east to west is to be built. Highway and motor roads must be constructed and adequate port facilities provided in Sakhalin. Constructive work must also be pushed ahead in the ports of Vladivostok and Kamchatka and a river port built at Habarovsk.' The mainspring of this interest in Far Eastern communications was bluntly revealed by Voroshilov, Minister of Defence, in the course of a smashing attack on transport in general in the U.S.S.R. made at the same Congress. 'What have we done', he demanded, 'so that the leading ranks of our workers and peasants, the Red Army on our Far Eastern frontiers, may be able to defeat the enemy, if he falls upon our frontiers? . . . The decrees of the Highest Transport authorities are not acknowledged or enforced by subordinates. . . . We are paying for bad production.'³

Apart from the new transport schemes and the particular stress laid on creating an independent metallurgical base in the Far East, relying on its own resources of coal and iron, many measures similar to those outlined in the first Five-Year

¹ Cf. *Izvestiya*, 4.ii.1934, 6.ii.1934, 7.ii.1934.

² Cf. *Pravda*, 6.ii.1934.

³ Cf. *Izvestiya*, 4.ii.1934.

Plan for the Far Eastern Region reappear in the second.¹ The coal industry is to be developed for local needs and export, and production increased to 6.5 million tons or 3.5 times that of 1932.² The fishing industry is to be completely reorganized so as to yield 380,000 tons of fish in 1937, and large canning factories are to be built in the Far Eastern Region and Kamchatka. In the field of agriculture, the sown area is to be increased by 26 per cent., rice plantations by 200 per cent., and the sugar-beet production actively developed in connexion with the two new sugar factories at Nikolsk-Ussuri. The construction of the second sugar factory is to be begun in 1935 and to have an eventual output of 6,000 centners. As the second Five-Year Plan merely registers the fact that the first sugar factory (inaugurated according to the first Five-Year Plan in 1932) should start production in 1934, it may be presumed that it was not in operation before then.³ A metallurgical base capable of turning out 50,000 tons of pig-iron in 1937 is to be established, as well as a motor-tractor park and a park 'for repairs of all kinds and technical assistance', two furniture factories, a paper factory at Chaborovsk, telephone and telegraph connexions at Chaborovsk, &c.

All that can be said about this great chart of work inaugurated in 1934 is 'Wait and see'. It is never prudent to prophesy regarding industrial developments in the U.S.S.R. Side by side with magnificent achievements are to be found incidents which would be incredible in comic opera and which often frustrate the planned results for months. There is every indication, however, that things will not be allowed to lapse through local incompetency in the Far Eastern Region during the second Five-Year Plan as in the case of the first plan. To begin with, the higher authorities in Moscow will directly supervise its execution. In the second place, the Japanese are literally at the back door. Nothing could be a greater spur to putting the house in order. It is doubtful whether all the

¹ Cf. *Gosplan. Gosudarstvennaya Plannovaya Komissiya pri Soeste narodnix Komissarov Soyuz SSSR. Proekt vtorovo Piatiletnevo Plana*, 1934.

² The first Five-Year Plan called for 4,400,000 tons of coal from the Far East in 1932. The production was actually 2,000,000 tons.

³ Cf. *Proekt vtorovo Piatiletnevo razvitiya narodnovo khozyaistvo SSSR (1933-7)*, Band 11, 'Plan razvitiya rayonov', Moscow, 1934, p. 162.

funds required for the many varied schemes just outlined are forthcoming. There may have to be a gradual pruning down of certain items of the programme, and the scheduled time will be exceeded however things go. In the main the transport plans will almost certainly be pushed through and essential branch lines and highways constructed. The stakes at issue are too high for the Soviet régime to take any chances on this point.

(e) *Colonization*

Long before the Soviet régime in Russia, the Imperial Government had clearly recognized that colonization and progress were inseparable in the Far East. When the Russian flag was planted at the mouth of the Amur in 1850, there was only a small native population in all the vast country north of the river basin and in the Maritime Province.¹ Throughout the remainder of the century and right up to the Revolution, sporadic attempts at colonization were made under the auspices of the Government. Apart from the original settlers—the Cossack bands which held the frontier lands for Russia—most of these colonists came from the Ukraine.

Russia has always experienced great difficulty in colonizing the Far Eastern Region.² The first settlers were brought all the way from the central provinces via the Suez Canal to Vladivostok. The workers for the Chinese Eastern Railway followed the same route and large numbers of them eventually settled in the Far East. Later, when the Trans-Siberian and Chinese Eastern Railway were operating, colonists were able to make the journey by rail. Nevertheless transport was a costly business even by this route, as almost all the intending settlers came from the more thickly populated provinces of central Russia. The Amur line leading directly to the home colonization areas was only finished in 1916.

Under the Soviet régime, as formerly, colonists have preferred to settle near Vladivostok, Chabarovsk, Sretensk, Nikolaevsk, Lake Hanka, and the lands adjacent to the Amur,

¹ Cf. Perry MacDonough Collins, *A Voyage down the Amour with a Land Journey through Siberia*, New York, 1860.

² Cf. Mende, Gerhard v., *Studien zur Kolonisation in der Sowjetunion*, Ost-Europa Institut, 1933.

where certain facilities of life already awaited them. Apart from the permanent colonists there has always been an inflow of seasonal labour to the Far East, which is now condemned by the Soviet Government as 'expensive and wasteful'.¹ An analysis of the available statistics shows that a comparatively small percentage of the colonists sent to the Far East and Sakhalin under either Czarist or Soviet auspices have settled there permanently. For example, only 35.5 per cent. of these intending colonists remained in 1913; this percentage had risen to 65 per cent. in 1928, but it cannot be regarded as a stable quantity, as 62.2 per cent. returned in 1929-30.² The great majority of these colonists come from the steppe country of Russia. Some come from Siberia, and all move farther east owing to land hunger at home. The part played by the Koreans in colonizing the Maritime Province has steadily increased since the Revolution. The Imperial Government only allowed the Koreans to settle in the Far Eastern Region for limited periods or if they became Russian subjects. According to the spirit of the Soviet nationalities' policy, Koreans fleeing from Japanese imperialistic rule must be granted a refuge within the frontiers of the U.S.S.R. The result is that the Korean population had risen from 168,029 in 1926 to 250,000 in 1928.³

The history of the attempts of the Soviet Government to colonize the Far Eastern Region, in the first place in the interests of the fishing, timber, and oil industries, where the lack of man power has been a daily handicap, is little short of lamentable. Stories that read like bad jokes may constantly be found in the Soviet press, describing one miscarriage after another of these unfortunate ventures as a result of non-fulfilment of contracts and general lack of co-operation between the responsible authorities; in fact, gross inefficiency of all concerned.⁴ It was decided for example that every colonist should

¹ Cf. *Ekon. Sjiizn dalnovo Vostoka*, July-Aug. 1925: 'A priori' conditions for colonization of the Far Eastern Region.²⁰

² Cf. *Statistical Survey of Movement of Colonisers and Wanderers to the Far East and Backwards in 1926-7 and 1927-8*,⁹ Press of the Far East Regional Settlement, Division Irkutsk, 1929.

³ Cf. *Studien zur Kolonisation*, op. cit.

⁴ Cf. *Trud* (14.ix.29), open letter concerning scandalous treatment of metallurgical workers engaged by Labour Exchange for the Far East. They were promised 250 rbls. a month, rations, and quarters. When they arrived in the Far East, there was no accommodation for them and only starvation wages were paid.

be started on 3 ha. of ploughed land. Too late it was discovered that instead of the 100-150 tractors required for the purpose, there were only 35 tractors in the whole Region in 1928. A special correspondent of *Trud*, sent to investigate the situation in the Maritime Province in 1929, did not mince matters in his report from Vladivostok, from which the following is an extract:

'All organizations engaged in fulfilling decrees for industrial colonization must admit their negligence. Complaints are heard on all sides. The methods used for recruiting Astrachan fishermen particularly need investigation. Recently a telegram reached Vladivostok announcing the arrival of 900 fishermen and their families. There was no accommodation and no possibility of housing the new arrivals in Vladivostok. The Labour Exchange therefore gave each family 300 rbls. and passed them on to the *Primribaksoyuz* (the Fishing Co-op.), which washed its hands of them. The *Gosribtrust* (*State Fishing Trust*) put them into a disused barracks, full of fleas, bugs, and swallows. Then as soon as possible they were hustled on to a boat—men, women, and children with their Astrachan dogs, fishing tackle, and household belongings—and thrown on the bare wild coast [lit. *golii i dikii bereg*], while the steamer departed. There they were left with no sugar, vegetables, fats, flour, no proper supply of clothing, medicaments or contact with the rest of the more fortunate world. . . . Spring found a few people still there—the strongest and most resistant. The rest had fled.' (Sgd. Voronozova).

As a result of all this bungling only 50 per cent. of the workers sent to the Far East in 1931 for industrial colonization remained there.¹ The results in Sakhalin were no more encouraging, as is shown by the following Table of the number of colonists: (a) per plan, (b) dispatched, (c) landed on island, (d) settled on island in 1930.²

Occupational destination	Plan		Dispatched		Arrived in Sakhalin			Settled Total no.
	Families	Total no.	Families	Total no.	Families	Total no.	Families	
Fisheries . . .	550	2,200	467	1,711	314	745	141	459
Forests . . .	250	1,000	341	982	..	..	..	..
Agriculture . .	100	500	105	287	266	1,208	117	468
	900	3,700	913	2,980	480	1,953	258	927

N.B. Judging by the above blanks the foresters dispatched must have lost heart on the way.

¹ Cf. *Goskolenit*, vol. xi, p. 52.

² *Ibid.*

A number of decrees have been passed by the Soviet Government in recent years granting definite privileges to settlers in the Far East, with a view to attracting larger numbers to move eastwards.¹ The first decrees of 1928 promised release from certain taxes, free hunting and fishing, free transport and 'entrance to the higher educational institutions of Siberia and the Far East on the same terms as workers' children' to intending settlers. In spite of these inducements the number of colonists remained far from satisfactory, while the need of human forces in the Soviet Far Eastern Region grew more and more acute every year, both from the politico-strategic as well as the economic angle. It appeared as if the privileges so far accorded were not sufficient to attract large groups of settlers and the monetary advances made to the colonists were far from adequate. Moreover, something dynamic had to be done to produce the 750,000 colonists required by the second Five-Year Plan by 1937. In 1933 a special decree signed by Stalin and Molotov, as Chairman of the National Council of Peoples' Commissars,² attracted widespread attention both within the U.S.S.R. and abroad. It was announced that all members of the *Kolchozi* settled in the Far East were relieved of grain and rice deliveries for a period of ten years; individual peasants for a period of five years, from January 1, 1934.

(f) *Birobidjan*

Birobidjan is the name of the territory in the Far East where the Soviets in pursuance of their avowed nationalities' policy are attempting to solve the world Jewish problem on Communist lines. In 1928 this large mass of undeveloped land lying for the most part between the Bira and the Bidjan, tributaries of the Amur, was placed at the disposal of the 'toiling Jews of the world', to colonize.³ Birobidjan lies to the west of Chabarovsk and is traversed by the Amur railway, which has a station at the chief town of the same name.

By a decree of *TSIK* of May 5, 1934, Birobidjan was elevated to the rank of an Autonomous Region with a corresponding

¹ For text of these decrees cf. Appendix II.

² For text of this decree cf. Appendix II.

³ Cf. *Sel'skhozynistennaya Entsiklopediya*, vol. xi, p. 170.

increase of administrative responsibility.¹ Many plans for the industrial and agricultural development of Birobidjan have been formulated in Moscow, and the Soviet press follows them with interest and unfailing adulation. According to Communist doctrine, 'all is built on rotten foundations'² in Zionist Palestine, while Birobidjan is the ideal set up by the Soviet Government in its place.

In the original scheme Birobidjan was to consist of 5,128,000 ha., but the offer was later reduced to 2,600,000 ha.,³ though in July 1934 a writer in *Revolutsiya i Natzionalosti* referred to the area as 7,389,000 ha. This is only one small instance of the difficulty in obtaining any specific information about the country. Many conflicting figures of the number of Jewish colonists actually established in Birobidjan have also been published in the U.S.S.R. The estimate recently given by Kalinin—8,000—10,000—is probably the most accurate available.⁴ Jews from Palestine, America, and central Europe have emigrated to Birobidjan, though in no great number. And gifts of money and machinery from America have followed them to their new home.

Conditions have admittedly improved since 1928, when the first Jewish immigrants started to arrive. Stretches of the taiga have been cleared, roads and several bridges built, some attempts at drainage made in a swampy country constantly threatened with floods, and fruit, vegetables, and a few grain crops planted in the cleared ground. Nevertheless the conditions for settlers are still so primitive that many Jews who actually reached this land of promise quickly deserted it. Lord Marley, in his enthusiastic account of Birobidjan,⁵ admits that, of 1,000 foreign settlers who arrived in 1933, 60 per cent. eventually returned home because, he adds, 'they were not prepared to work'. 'It must be admitted', wrote an ardent Soviet protagonist of Birobidjan in 1934, 'that the first colonists in Birobidjan did not have a proper idea of the difficulties

¹ Cf. *Revolutsiya i Natzionalosti*, No. 7, July 1934, p. 8.

² Cf. *Ibid.* No. 6, p. 14: 'The Jewish Autonomous Republic, Lesson of the October Revolution.'

³ Cf. *Sovietskaya Azija*, 1931.

⁴ Cf. *Revolutsiya i Natzionalosti*, No. 7, 1934: extract from report of an interview given by Kalinin on 'Formation of Jewish Autonomous Region'.

⁵ Cf. *Birobidjan*, by Lord Marley, Friends of the Soviet Union, 1934.

awaiting them. This led to considerable drifting away, though the more hardy remained and settled down.¹

There are now reported to be fifty collective farms in Birobidjan of various sizes and efficiency, though the total sown area in 1934 only amounted to 31,000 ha.² Agriculture is a tough job for the first Jewish pioneers in Birobidjan. Forests have to be cleared away and swamps and floods faced, and there is little agricultural machinery to facilitate the task. In recognition of these difficulties, and as a spur to more intensive agricultural production, the Soviet Government partially released the inhabitants of Birobidjan from deliveries of food-stuffs to the State for a period of ten years, as from January 1, 1934.³

On the industrial side Birobidjan now boasts of possessing 'brick factories, factories for various other building materials, lime kilns, nineteen co-operative industrial artels and an electric station'.⁴ The Five-Year Plan provides for a ready-made clothes industry in Birobidjan, probably because a few years ago it was reported that some Polish and Viennese Jewish tailors had emigrated there via Berlin. (How they will be supplied with sewing-machines and other equipment to ply their trade in this remote part of the world is not disclosed.) There is also to be a 'Standard-housing combinat' in Birobidjan. This sophisticated project may have its origin in the fact that housing conditions in the Jewish Autonomous Region have hitherto been far from ideal, as was indicated by a writer in *Ekonomicheskaya Sjizn* when he wrote: 'The experiment in Birobidjan proves that housing should precede settlement.'⁵ Owing to the 'legendary riches' of mineral ore, coal, iron, gold, &c., reported to be awaiting development in the Birobidjan soil, a metallurgical base is one of the most important planned measures for the country.

In an interview (May 1934) with a delegation of Moscow workers interested in conditions in Birobidjan, Kalinin was suspiciously non-committal in his remarks: 'I am told', he

¹ Cf. *Revolutzija i Natsjonalasti*, No. 6, 1934.

² *Ibid.*, p. 18.

³ Cf. Appendix II for text of this decree.

⁴ Cf. *Revolutzija i Natsjonalasti*, No. 6, 1934.

⁵ Cf. *Ekonom. Sjizn*, 4, x, 1933: 'On the eve of the second Five-Year Plan.'

said, 'that the artels and *Kolchozi* have developed in Birobidjan and that the members of the *Kolchozi* do not live badly. Little houses or apartments of three rooms are not rare and the food is relatively speaking not bad.'¹ This is probably nearer the truth than the enthusiastic tales of Soviet propagandists, chiefly of Jewish origin and Communists, who are the most fluent sources of information about Birobidjan. Much that is written by these protagonists of the future Jewish republic must be discarded as misleading and inaccurate. Otto Heller, the well-known German Communist, who visited Birobidjan in 1931 and wrote a glowing account of it, would belong to this category.² It seems a fair test of the real state of affairs in Birobidjan—whatever the future may hold in store for it—that few Jewish exiles from Nazi Germany choose it as a place of refuge, in spite of the facilities for colonists offered by the Soviet Government.

(g) *Trade and Trading Organs of the Far Eastern Region*

The foreign trade of the Soviet Far East is confined for the most part to the neighbouring countries of Manchuria, China, and Japan,³ though fishery products are now being sent in increasing quantities to the English and American markets also.

A heavy burden of imports falls on the region owing to the unsatisfactory state of transport. Rail communication with central Russia and Siberia is so long, uncertain, and expensive that many articles which would otherwise be imported from Russia by rail reach the Far East by the long sea route from the Soviet Black Sea ports, or must be imported from other countries more adjacent, like Manchuria and Japan. For this reason little Siberian grain, flour, meat, or dairy produce are found in the Far East. All are preferably imported from north Manchuria, as are sugar, rice, and flour from Japan. The *Dalgostorgflot* (Far Eastern State Mercantile Marine) dis-

¹ Cf. *Revoluziya i Natsionalisti*, No. 7, 1934, p. xi.

² Cf. Heller, Otto, *Der Untergang des Judentums*, Durch Birobidjan, pp. 330-74, Verlag für Literatur und Politik, Wien, Berlin, 1931.

³ In this section only certain distinctive features of the trade of the Far Eastern Region will be described. All details of general Russian trade with the East will be found in the chapters dealing with the particular country in question.

poses of a most inadequate number of bottoms for this carrying trade. Large sums of valuta have therefore to be expended annually in chartering foreign (and for the most part Japanese) vessels. In the Russian fishing industry most of the craft have also been built in Japan. In 1925 the *Transportnaya Gazeta* (7.v.1925) reported that 'the Far Eastern marine consists of one steamer of 7,930 tons'. This modest nucleus has been gradually increased, but the Soviet press never tires of pointing out the need of reducing the charges for foreign tonnage engaged in Far Eastern trade. In 1930 the percentage of the carrying trade falling to the *Sovtorgflot* was still only 0.5 per cent.¹ The disparity between tonnage, available and required, results in a very uneconomical surcharge on Soviet exports and is a definite restriction on their radius of distribution.

The chief exports of the Far Eastern Region are timber, oil, furs, canned fish products, and coal. The chief customer for all (with the exception of coal which goes to Manchuria) is Japan.

Timber. All the timber imported into Japan from Russia comes from the Far East. Cedar planks, pine, fir, and white ash form nine-tenths of these imports, which amounted to 1.4 million koku in 1932, or 10 per cent. of the total Japanese imports of timber.²

Imports of timber from Asiatic Russia to Japan³

(In thousands of yen)

1927	1928	1929	1930	1931	1932	1933
15,007	12,810	10,278	8,921	5,278	3,531	2,597

The origin of this timber was as follows in 1932:⁴

Place of origin	Koku
North Sakhalin	850,000
Nikolaevsk	180,000
Maritime Province . . .	350,000
Vladivostok	60,000
	<hr/>
	1,440,000

¹ Cf. *Sovietskaya Aziya*, No. 5, June 1931.

² Cf. *Sowjetwirtschaft und Aussenhandel*, Dec. 1933, Nos. 23-4.

³ Cf. *Financial and Economic Annual of Japan*, 1933, 1934.

⁴ Cf. *Industrie und Handel*, No. 175, I.viii.1933.

The direct exports of timber from the Far Eastern Region to China are considerably smaller than to Japan. Fair quantities of Russian timber were, however, also re-exported to China by Japan, before the Japanese boycott. Direct Russian shipments of lumber are now increasing and have been helped by the Japanese boycott in China, as well as by the extremely low prices at which they are offered.

Exports of Siberian pine from Russian Pacific Ports to China¹

(In *sup. feet*)

1930	1931	1932
61,000,000	65,369,000	83,507,000

Exports of timber from the Russian Pacific ports have considerably improved since the War. The market in China and Japan is also rapidly expanding, and the Soviet export authorities attach great importance to obtaining a predominating place in it for Far Eastern timber.

Oil. Soviet oil exports to China and Japan, which of recent years have caused quite a flutter on the market, do not originate in Asiatic Russia. They are imported by the Naphtha Syndicate or its local representatives from the Black Sea ports and will be discussed in the chapters dealing with general Russian trade with China and Japan. Almost all the crude oil produced by Russia in north Sakhalin is disposed of to the Japanese fleet. Little appears on the open Japanese market. The Cracking Plant at Chabarovsk, which began operations in July 1934 and has been commanded by the Plan to produce 800,000 tons of motor spirit and kerosene by 1937, is a new feature in the Soviet oil world which may have interesting developments in the future, as it is unique in Soviet Asia.

Asiatic Russia dominates both the imports and the exports between Russia and Japan.

In 1931 Japan's imports from Asiatic Russia represented 2.5 per cent. of the total imports and her exports there 1.3 per cent. of her total exports. These percentages fell to 2.2 and 0.9 respectively in 1932.² Industrialized Japan is the natural

¹ Cf. *Chinese Maritime Customs Reports*, vol. i, 1930-3.

² Cf. *International Trade Statistics*, 1931 and 1932, League of Nations, Geneva, 1933.

Japanese trade with Russia¹

(In millions of Yen)

	Imports to Japan from			Exports from Japan to	
	A. Russia	E. Russia		A. Russia	E. Russia
1926 . . .	23.9	0.793	1926 . . .	5.3	0.464
1927 . . .	24.56	1.6	1927 . . .	7.8	0.869
1928 . . .	21.917	2.14	1928 . . .	11.2	1.19
1929 . . .	22.875	3.08	1929 . . .	15.1	2.30
1930 . . .	37.218	2.52	1930 . . .	26.97	1.34
1932 . . .	31.09	1.95	1932 . . .	13.07	1.37
1933 . . .	31.00	1.0	1933 . . .	12.00	2.00

depot for the Far Eastern Region, and imports from Japan include many different kinds of commodities: foodstuffs (rice, white flour, soya sauce, sugar, confectionery), equipment for the fishing industry (nets and boats, tackle, tinfoil for boxes, sails, and ropes), machinery, and electric apparatus. Thus for years Japan has been the customary source of all supplies for the Russian fishing industry with the possible exception of salt. Salt,² a major requirement and import of the country, is brought half-way round the world from the Crimea and costs about 1.06 roubles a pound, while the Japanese salt is obtainable for 60 kopeks per pound. The fishing industry alone uses about 5 million pounds annually, distributed as follows:³

Russian fishing industry . . .	1,705,000 pounds
Japanese " " . . .	2,000,000 "
Local consumption . . .	1,032,500 "
	4,737,500 "

Tea for the Far Eastern Region is imported from China, not from Japan.

¹ Cf. *Financial and Economic Annual of Japan, 1933. Inter. Trade Statistics*, League of Nations, 1933.

² The nearest salt deposits to the Far Eastern Region are at Viliusk, on a tributary of the Lena, thousands of kilometres from the coast. These deposits may become of great practical utility if the second Five-Year Plan carries through the construction of the great Yakutsk-Amur railway project, which would connect Viliusk with Siberia and the Chinese Eastern Railway. Cf. Thiel, Dr. Erich, *Verkehrsgeographie des Asiatischen Russlands*, 1934.

³ Cf. *Ekon. Sjižen datnovo Vostoka*, May 1925: 'Salt and the Far Eastern Fishing Industry.'

Organs of Soviet Trade in the Far Eastern Region. The Far Eastern Region has its special trade organs which are authorized to engage in import and export operations. The chief of these is the *Dalgostorg* or Far Eastern State Trading (Co.) established originally at Chabarovsk in 1924.¹ For a time the *Dalgostorg* fulfilled the functions of the Soviet Trade Representations, eventually set up in Japan, China, and Mongolia. In export operations it has rather concentrated on secondary products, e.g. trepang, tinned crab, furs. Timber, the most important export of the Far Eastern Region, is in the hands of the *Dalles* (Far East Timber Co.). Import and export activities are also conducted by the Far Eastern branch of the *Centrosyuz*.

The financial side of this trade is managed by the *Dalbank*, with head-quarters at Vladivostok and branches throughout the region. Since the Bank of Korea was closed in 1930, it is the only banking institution in the Soviet Far East.

The Far Eastern Mercantile Marine, as represented by *Soutorgflot*, is a very modest affair. It is empowered to charter foreign tonnage as required for local needs.

All these bodies have their head-quarters for the Far East in Vladivostok.

Vladivostok. Vladivostok, the original terminal of the Chinese Eastern Railway, is a spacious and convenient port with more than 6,000 feet of floating docks. It is the import and distributing centre not only for the Maritime Province and the Amur Basin, but also for the long Russian coastline up to Kamchatka and even the Lena delta. Exports were for years its chief source of wealth and activity. The bulk of the agricultural products of north Manchuria passed until recent years to the markets of the world through Vladivostok. The limited exports of Asiatic Russia took the same road. With the development of north Manchuria, the exports in transit through Vladivostok grew enormously. From being 36 per cent. of the total freight turnover or 630.6 thousand m. tons, in 1913, the exports grew to 63 per cent. or 1,364 thousand m. tons in 1925-6.² Owing to the large quantities of beans and

¹ Cf. *Ekhn. Sijzn dalnevo Vostoka*, April 1926: 'Organs of Far Eastern Trade.'

² Cf. *Bolshaya Sovetskaya Entsiklopediya*, Vladivostok.

oil shipped from Vladivostok it became known as the bean port. Nevertheless its supremacy in Manchurian trade was already challenged by Dairen, in so far as imports were concerned, before the War, when Vladivostok shipped 79 per cent. of the total exports of Manchuria.¹ As a result of the dislocation of trade during the Bolshevik revolution and the neglect of the port by the Soviet authorities, who for years made neither capital nor ordinary repairs, Dairen has also been able gradually to attract the greater part of the north Manchurian exports southwards. Other factors in favour of Dairen were the rebates offered by the Southern Manchuria Railway, the superior port and loading services, and the uncertainty with regard to all Soviet business arrangements, including customs. The latest figures available for 1933 show a complete reversal of the pre-War position, with 80 per cent. of Manchurian exports passing through Dairen.² The decline of Vladivostok has been accelerated by political events in Manchuria, and especially by the control of the Chinese Eastern Railway acquired by the Japanese.

Exports to Europe via Dairen and Vladivostok³

(In 1,000 tons)

	Via Dairen			Via Vladivostok		
	1932/3	1931/2	1930/1	1932/3	1931/2	1930/1
Soya beans . . .	1,446	923	684	198	469	767
Bean cakes . . .	70	65	34	..	1	4
Bean oil . . .	34	36	70	..	4	6
Other agricultural products . . .	105	106	75	..	8	12
Total . . .	1,655	1,130	863	198	476	789

The official customs reports for Vladivostok for 1931-2 show that not only the exports in transit from Manchuria but also from the U.S.S.R. fell heavily. Imports have long been of minor importance in the trade of the port but they are also steadily falling.

¹ Cf. N. Manchuria and the Chinese Eastern Railway, op. cit., p. 273.

² Cf. *Eildienst*, 21.iii.1934.

³ *Ibid.*

THE SOVIET FAR EASTERN REGION
Freight turnover in the port of Vladivostok¹
 (In metric tons)

SHIPPED FROM VLADIVOSTOK

	Exports from the U.S.S.R.		Goods in transit from Manchuria		Total	
	1931	1932	1931	1932	1931	1932
Fish . . .	26,514	6,405	..	..	26,514	6,405
Timber . .	290,721	242,791	..	..	290,721	242,791
Oil cakes .	4,634	1,999	478,244	316,308	482,878	318,307
Canned goods	10,662	14,919	..	..	10,662	14,919
Oil products	2,572	43	..	..	2,572	43
Soda . . .	4,250	1,207	..	..	4,250	1,207
Fabrics . .	1,845	9,803	..	..	1,845	803
Metal scrap	14,145	9,061	..	..	14,145	9,061
Beans . . .	..	..	810,708	485,682	810,708	485,582
Millet . . .	..	..	22,386	3,205	22,385	3,205
Buckwheat .	..	..	5,065	154	3,065	154
Hempseed .	..	..	14,595	22,607	14,595	22,607
Bran . . .	..	..	10,798	5,425	10,798	5,425
Bean oil . .	..	..	2,892	1,719	2,892	1,719
Kaolin . . .	..	..	..	7,729	..	7,729
Other goods	6,072	10,266	6,543	24,898	13,615	35,164
Total . .	361,415	287,494	1,351,231	867,727	1,612,646	1,155,221

SHIPPED TO VLADIVOSTOK

	Imports to U.S.S.R.			Goods in transit to Manchuria			Total		
	1930	1931	1932	1930	1931	1932	1930	1931	1932
Total including	90,055	45,931		27,137	28,935		117,192	74,866	
Grain . . .	8,648	2,277							
Tea	10,275	13,572							
Ferrous metals	12,113	5,248							
Iron, cast iron and steel art.	3,051	1,057							
Machines and ap- paratus	3,347	1,714							
Tractors . .	2,764	3,223							
Fabrics (nets)	1,478	2,904							
Various . . .	48,381	15,956							

Nothing could be more dismal than the accounts of the stagnation and dilapidation of the port-town of Vladivostok found from time to time in the Soviet press. 'The situation in regard to the docks in Vladivostok is wretched', declared *Izvestiya* in 1931 (19.vi.1931), 'and in the course of the next few

¹ Cf. Soviet Official Customs Reports, No. 43A: *Freight Turnover in the Port of Vladivostok*. Statistics reproduced as in Report in spite of several glaring inaccuracies.—V. C.

months they must be prepared to receive 200,000 tons of fish. Only one-third of the fish production which is expected to exceed former years in large quantities can be accommodated on the docks.' A special correspondent of *Trud* wrote back furiously to Moscow in 1929 from Vladivostok: 'Private enterprise is rampant here in the guise of socialist institutions. The large credit enjoyed is incompatible with the small value of production and the large indebtedness. This town of dazzling adventures [*sic*] smells of rotteness and needs a thorough cleansing. For Vladivostok ought to rid itself of the shameful name of the town of adventures.'¹ (Unfortunately we are not told what these awful adventures are.) The fact that both the French and German steamship lines formerly calling at Vladivostok ceased to make it a port of call in 1932 is also an indication of its declining importance.² Cut off from its former commercial hinterland of north Manchuria, and confined to the limited trade of the Far Eastern Region, the prosperity of Vladivostok is a thing of the past at the present time. In Communist propaganda, however, it assumes a new lustre as 'the outpost of socialist construction', the capital of the Soviet Far East, 'for the Chinese proletariat a second home, their real socialistic fatherland'.³ It is the site of an 'International Seamen's Home where the workers' press of the whole world is available',⁴ though the number of international seamen able to enjoy this treat would seem to be extremely small. It was in keeping with this revolutionary role that the 'Pacific Ocean Congress of *Profsoyuz*' was held at Vladivostok in August 1929.⁵ The delegates met to discuss the activities of Pacific labour movements and claimed to represent 115 millions of workers in Pacific countries organized in the following bodies:

All China Federation of Labour.

Japanese Council of *Profsoyuz*.

Korean Workers' Federation.

Federation of *Profsoyuz* of Indonesia.

Peasants' Federation of the Philippines.

¹ Cf. *Trud*, 9.vi.1929.

² Cf. Heller, Otto, 'Wladi Wostok', *op. cit.*

³ Cf. *Dalno Vostochnii Krai*, Dalgiz, 1932 (*A Handbook for Settlers in the Far East*).

⁴ Cf. Heller, Otto, 'Wladi Wostok', *op. cit.*, p. 308.

⁵ Cf. *Trud*, 4.vii.1929.

League of professional propaganda of the U.S.S.R.
Anti-English Minority Movement (??)

Apart from an occasional Red Congress of this kind when verbal fireworks explode for days, there is little or no evidence that the revolutionary arsenal at Vladivostok has begun to function for the benefit of the Pacific countries. The Communism of China certainly did not emanate from there, no more than the Communistic element in the Dutch East Indies. Nevertheless, the Communistic vision of Vladivostok remains mirrored in Otto Heller's triumphant cry: 'Wladi wostok! Ja sie beherrscht den Osten, die Idee der Befreiung der Arbeiterklasse, der armen Bauern, der chinesischen und indischen Kulis, der mongolischen Hirten, der Gummiplantagenarbeiter in Indonesien, der Naftasklaven der Deterding und Rockefeller. . . .'¹

¹ Cf. Heller, Otto, *op. cit.*, p. 308.

II

SOVIET ECONOMIC RELATIONS WITH JAPAN¹

ECONOMICALLY as well as politically official relations between Russia and Japan only date back to Admiral Putjatkin's expedition which reached Nagasaki in 1853.² The Treaty of Shimoda followed in 1855, and was the first treaty signed by the two countries. This treaty accorded the Russians the much-sought-after right to trade with Japan, to open consulates in Osaka and Hakodate, and, most important for later relationships in the Pacific, recognized Russia's suzerainty over the whole of the island of Sakhalin (with the exception of the southern point at Ariva Bay and the Kurile Islands north of Etoroyu).³ Russia was anxious to secure Sakhalin, not for its oil, coal, or timber of latter-day interest, but as a screen for the mouth of the Amur, where the Russian flag had just been hoisted.

The basis thus laid for trade was not followed up by Russia, and until the eve of the War the actual exchange of goods between the two countries was very small.

Russo-Japanese trade, 1913⁴

Russian imports from Japan	1,409,000 roubles
Russian exports to Japan	4,844,000 „

Apart from trade, however, Russia and Japan had other points of economic contact. They were close economic as well as political rivals in Manchuria and, even before the Russo-Japanese War, the important issue of the Russian Far Eastern coastal fisheries had arisen. For years before the

¹ For many local details of current Soviet-Japanese trade not easily available elsewhere I am indebted to a series of articles published in *Industrie und Handel*, Nos. 175, 176, 177: 'Russland als Kunde und Lieferant—Japan'.

² Cf. Gontcharov, J., *Fregat Pallada*. Ocherki Puteshestviya, St. Petersburg, 1895.

³ Cf. *Mitteilungen der Deutschen Gesellschaft für Natur- und Völkerkunde Ost-Asiens*, Band XVI, Teil B: 'Über den Anteil der Russen an der Eröffnung Japans für den Verkehr mit den westlichen Mächten', Martin Rammung, Tokio, 1926.

⁴ Cf. *Ekonom. Sviyaz dalnovo Vostoka*, May 1925: 'Trade between the Far Eastern Region and Japan.'¹⁰

question was settled by any treaty or convention the Japanese had made these enormous fishing-grounds, as yet unexploited by Russia, their own happy hunting-ground. Russia was determined to curb this Japanese piracy in her territorial waters and availed herself of the peace negotiations between 1905-7 to do so. The difficulty of finding a *modus operandi* acceptable to both sides was shown by the long-protracted discussions on the subject¹ which preceded the Fisheries Convention annexed to the Treaty of Portsmouth in 1907.² This Convention may be regarded even to this day as the cornerstone of one of the most important sections of Russo-Japanese economic relations. It defined the areas along the Far Eastern coast where the Japanese might fish and those from which they were excluded, the conditions on which they might develop the fishing industry, i.e. build canning stations, depots, &c., on Russian territory, and established a system of annual auctions at Vladivostok where the Japanese might bid on equal terms with Russian subjects for leases of these fishing-grounds. No tax was to be levied by Russia on fish or fish products exported to Japan. This Convention remained in force until 1919, when it automatically lapsed through non-renewal. Practically speaking, it is still the charter of Japanese rights in the Far Eastern fisheries, as the new Fisheries Convention signed by Japan with the Soviet Government in 1928 only modified certain details of the old text.

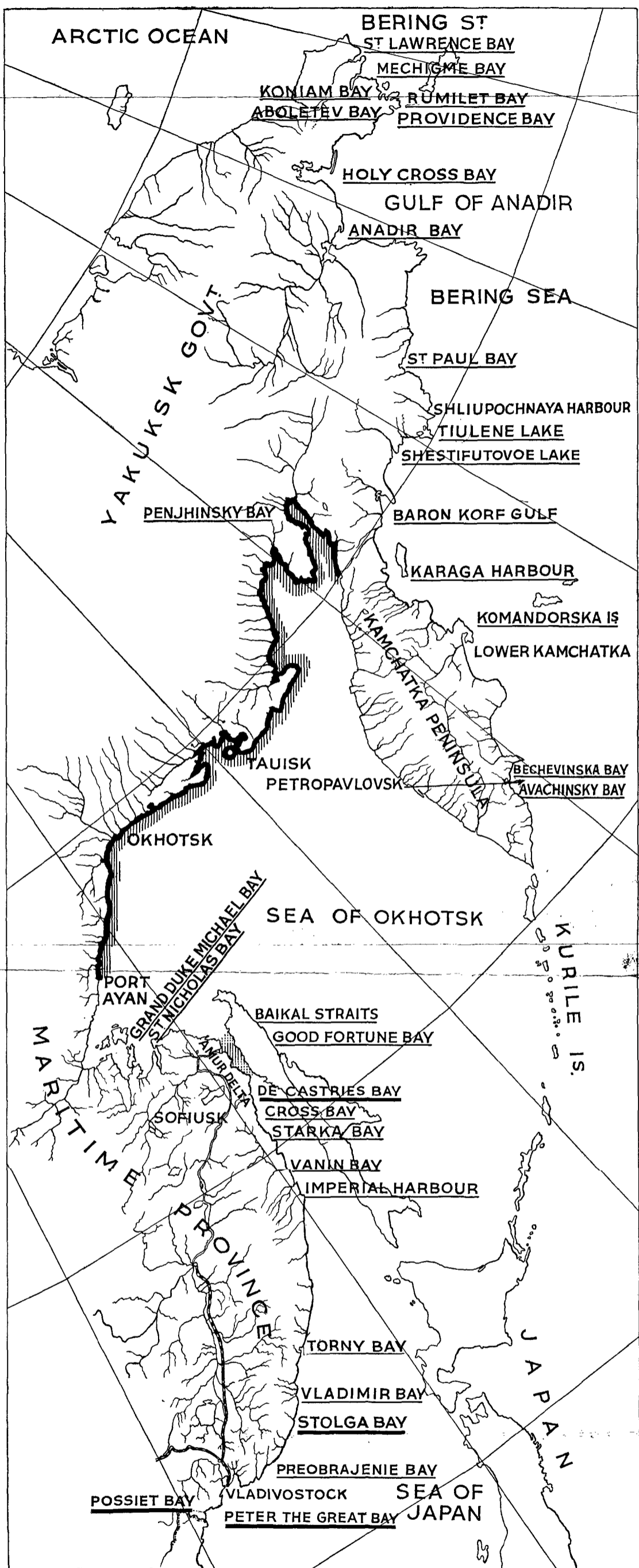
During the War the isolation of the Russian Far East from Moscow and lack of stable government in Vladivostok gave a great impetus both to Japanese trade with the Maritime Province and to the Japanese fisheries. For the first time many foodstuffs and manufactured goods formerly imported to the Far East either from European Russia or Europe (i.e. sugar, salt, flour, rice) were supplied by Japan. This was also a time of great industrial expansion in Japan, when many new industries were started and exports developed rapidly. In 1923,

¹ Cf. Ministère des affaires étrangères, Saint-Petersbourg, Recueil de documents diplomatiques concernant les négociations en vue de la conclusion d'une Convention de Pêche entre la Russie et le Japon, août 1906-juillet 1907.

² For text of this Fishing Convention cf. Appendix III.

(Annexed to Russo-Japanese Fishing Convention, 1907)

Showing places excluded from the scope of the Convention for the exclusive use of Russian subjects



EXPLANATION

- 1 — bays, closed to Japanese fishermen, as inlets.
- 2 — bays, closed entirely to foreign fishing for strategic reasons.
- 3 — coastal area under investigation; in this area those bays are closed to Japanese fishing which penetrate into the mainland for a distance three times greater than the width of their mouth.
- 4 — Amur Delta (centre of Russian fishing industry of Far East), open to Japanese fishing industry on condition that Japanese submit to Russian river fishing regulations and bind themselves to employ only Russian workers.

NOTE. All river mouths are completely closed to the Japanese fishing industry; likewise are closed to it all those places where our colonists or native tribes have settled or might settle. Those grounds which will be opened for Japanese fishing remain open for the duration of the Convention. (Translation of official text printed with Map affixed to Russo-Japanese Fisheries Convention, 1907.)

when Russia under a Soviet Government once more took up the threads of world trade, foodstuffs for the Far Eastern Province represented 50 per cent. of the total imports to Russia from Japan, amounting in all to about 1,160 million roubles, an insignificant sum in the Russian trade balance even in those lean years.¹

Percentage of various items in total Russian imports from Japan, 1923-5

	<i>Feb.-Oct. 1923</i>	<i>1924</i>	<i>1st half 1925</i>
Foodstuffs and animal products	50	29.90	2.00
Timber and manufactured wood	0.80	0.70	5.00
Ceramics	0.50	0.42	1.00
Fuel oil and pitch	4.64	1.20	0.03
Metals and unworked metals	9.07	9.50	26.10
Textiles	16.95	36.25	20.30
Haberdashery	0.40	0.03	2.40
Writing materials and paper	14.42	20.70	39.90

As in the pre-War period, the Russian exports to Japan (chiefly timber and fish) were even at this time considerably larger than the imports from Japan and amounted in 1923-4 to 12,266 million roubles.

The Treaty of Portsmouth and the annexed Fishery Convention lapsed in 1919. Meanwhile many questions concerning the fisheries and trade awaited a legal settlement between the U.S.S.R. and Japan. While the Japanese were in occupation of the Maritime Province and Sakhalin negotiations were out of the question. Following the evacuation of the Maritime Province in 1923, discussions were opened in Peking with a view to obtaining Japanese recognition of the Soviet Government and concluding a trade treaty. After many interruptions a Treaty of Friendship and Recognition was signed in 1925 between Japan and the U.S.S.R. to which were appended several important protocols regarding coal and oil concessions in North Sakhalin.² The difficulties in the way of agreement over the complicated fisheries questions were so great that

¹ Cf. *Ek. Sjižen dalnevo Vostoka*, 'Japan in Far Eastern Trade', May 1925.

² Cf. Appendix V for text of these Protocols.

formal agreement was only reached in 1928, when the Soviet-Japanese Fisheries Convention was signed.¹ Meanwhile the 1925 Russo-Japanese Treaty declared: 'The High Contracting Parties agree on the coming into operation of this Agreement that they will proceed to revise the Fishing Convention of 1907, taking into account those changes which may have taken place in general conditions since the signature of the original Fisheries Convention.' In such terms the Soviet Government tacitly admitted the expansion of Japanese fishing interests in Russian waters and half promised to confirm these self-appropriated rights in the new Fisheries Convention. Another sop to the late masters of the Maritime Province and Russian Sakhalin was the clause which said: 'With a view to developing economic relations between the two countries and taking into consideration the need of Japan for natural resources, the U.S.S.R. is prepared to offer Japanese citizens, companies, and associations, concessions for the exploitation of minerals, timber, and other natural resources throughout the entire territory of the U.S.S.R.' In virtue of this Treaty and the annexed Protocol B, concessions for coal in West Sakhalin, oil in East Sakhalin, timber in the Maritime Province, and gold in Kamchatka and the Ochotsky region were soon after granted to Japanese companies.²

The 1925 Treaty of Friendship and Recognition, the Fisheries Convention of 1928, and a Supplementary Fisheries Agreement signed in 1932 are the only diplomatic instruments regulating trade between the U.S.S.R. and Japan. The oft-mooted Commercial Treaty between the two countries has not yet materialized.³

Soviet-Japanese economic relations are dominated by a few broad issues: (a) the fisheries; (b) oil (including the Japanese oil concessions in East Sakhalin and the imports of Russian oil to Japan); (c) coal; (d) timber, which it is convenient to discuss separately.

The Fisheries. The Japanese had profited by the chaotic

¹ Cf. Appendix VI for text of Convention.

² Cf. *Izvestiya*, 20.i.1928.

³ It was last reported in July 1933 that M. Sokolnikoff, Assistant Commissar for Foreign Affairs of the U.S.S.R., had proposed a Commercial Treaty to Japan. Cf. *Le Temps*, 20.vii.1933. The report had no sequel.

revolutionary conditions in Russia between 1917-23 to install themselves more strongly than ever in the Russian fishing-grounds. Their fishing industry had improved its equipment and production enormously above pre-War standard. On the coast of Kamchatka alone, millions of yen have been invested in the canning factories.¹ The Japanese early outstripped the Russians in the art of canning and were pioneers in the profitable tinned crab export business. Seventy per cent. of the American crab imports were supplied from Russian waters by the Japanese in 1925. Their production of crab rose, *vis-à-vis* the Russian, from 30 per cent. in 1914 to 97 per cent. in 1924, or a total production amounting to 737,717 cases. In 1928, when the Soviet-Japanese Fisheries Convention was signed, the Japanese were working 80 per cent. of the leased fishing-grounds (Japs, 255; Russians 42), 90 per cent. of the canning factories, with an annual production worth 20·8 million yen, and employing about 22,227 men.² The Convention negotiations had been embittered by the Japanese attempt to retain these rich spoils and large investments without an open rupture with Soviet Russia. On its side the Soviet Government showed an increasing desire to break the Japanese monopoly and engage more actively in the fishing industry itself. According to the old Convention of 1907, Russians and Japanese had been permitted to participate in the fishing industry on an equal basis and had equal rights at the Vladivostok auctions of the fishing-grounds. Pending the new Convention of 1928, this ruling had still obtained. The 1928 Convention closely followed the main lines of the 1907 text, though it accorded special status to Soviet State enterprises re taxation, &c. Japan preserved the right to export fish and aquatic products duty free and without export licence to Japan, and both might be imported to the U.S.S.R. without payment of tax. The royalties on production and other business taxes due to the Soviet Government were defined. The question of applying Soviet labour laws to the Japanese fisheries had been bitterly contested by Japan. Now a concession was made by the U.S.S.R. in agreeing to conform to

¹ Cf. *Russland und Asien*, 8.xi.1928.

² Cf. *Izvestiya*, 10.iv.1929.

certain Japanese labour regulations in applying its laws to Japanese employees in the Far Eastern fisheries. This clause was supplemented by others in which the Soviet Government insisted on various measures regulating hours of work, &c., in the spirit of Soviet labour laws, to which Japan finally had to subscribe.

The chief innovation of the Convention was a clause introduced at the instigation of Japan excluding the Soviet State fishing organizations from participating in the annual auctions of the fishing-grounds. By way of compensation 20 per cent. of the fishing-grounds were to be reserved for them instead. Japan hoped in this way to check Soviet competition in the Far Eastern waters, as private Russian fishing interests no longer counted in the U.S.S.R. Here the Japanese reckoned without their hosts. From year to year after 1928-9, the number of *soi-disant* Russian private firms appearing at the auctions steadily increased. The result was that in 1930 the fishing-grounds in Russian hands had risen from 42 in 1928 to 313, when for the first time they exceeded the Japanese.¹ From 1930, Soviet competition began to threaten the whole status of the carefully built up Japanese fishing industry.² Owing to the high prices now demanded in roubles by the Soviet authorities for the fishing-grounds (and the impossibility for the Japanese at this stage of further speculation in roubles to counterbalance the unfavourable official rouble-yen parity for Japan) Japanese fishing interests rapidly declined in extent and value from 1930 to 1933, while the backward Soviet industry made rapid progress. The situation was all the more aggravating for the Japanese because it was the highly skilled Japanese fishermen who had instructed the Russians and at every stage the Russian industry relied on Japanese technical resources. All the modern equipment, boats, nets, tackle, patent tin boxes used by the Soviet fisheries, came until a year or so ago from Japan. And now on world markets Soviet fish products, still carried in Japanese bottoms, are competing neck-to-neck with Japanese from the same waters.

¹ Cf. *Industrie und Handel*, op. cit.

² Cf. *Pravda*, 8.i.1933; *Izvestiya*, 8.iii.1932.

Many attempts have been made by the Japanese to place their fishing interests in the Far East on a better footing, or even to stabilize their position at the eleventh hour. It has been shown that, as a result of the Fishery Convention of 1928, the Soviet Government fishing enterprises were limited to the use of grounds whose total catch of fish should not exceed 2,000,000 pounds or 20 per cent. of the catch of all the Soviet Far Eastern fishing-grounds. According to this Convention these limits might only be exceeded by means of a special agreement to this effect concluded between the two Governments concerned. Such a change was actually effected in 1932, when a Supplementary Agreement¹ to the Fisheries Convention of 1928 was signed between the U.S.S.R. and Japan with a view to settling a number of disputes which had arisen in the application of the original Fishery Convention. In virtue of the new agreement, the amount of the catch allowed to the Soviet Government enterprises was increased to 5,000,000 pounds. The Soviet enterprises were thus enabled considerably to enlarge the number of grounds exploited by them. The agreement also provides that the 'grounds now [i.e. at the time of signature] rented to Japanese citizens shall not be put up for auction until the expiration of the Fishery Convention of 1928, i.e. in 1936. It was thus arranged that the following grounds will be annually put up for auction: (a) all newly opened grounds; (b) sixty of the grounds now rented by Japanese citizens; (c) grounds held by Soviet private persons and enterprises, exclusive of the Soviet State enterprises. When all was said and done, there was little in this agreement to improve the situation for the Japanese. Certain of their former rights were confirmed, and the mere signature of any agreement might be regarded as a tranquilizing force in an atmosphere charged with thunder. Nothing more. Neither side viewed the Agreement as the final word on the fisheries, and this seems to be borne out by the curious fact that it has never been published. In the years which have elapsed since it was signed, Soviet competition for the fishing-

¹ The text of this agreement is not to be made public, according to information kindly communicated by the Japanese Embassy, London. Cf. *Soviet Union Review*, Sept.-Oct. 1933.

grounds has continued unabated. Soviet puppets come forward annually at the Vladivostok auctions and snap up an increasing number of the fishing-grounds, to the disgust of the Japanese. Another fertile cause of trouble is the question of the parity of the rouble and the yen, which arises for settlement annually between the two Governments in connexion with the rents of the fishing-grounds.¹ It is interesting to note incidentally that in the case of these rentals the Russians have been forced to make the value of the rouble a matter for negotiation, i.e. to drop their usual rigid insistence on the 'official' rate of exchange. The rate fixed in 1932 was reported to be 32.5 sen per rouble.

Apart from the actual fish 'trade', a number of other Japanese business interests are closely connected with the Far Eastern fishing industry. The largest exports of Japan to the U.S.S.R. have long been articles of different kinds for use in the Far Eastern fisheries: fish-nets, boats, tackle, tin-foil and boxes, fishery apparatus. Large sums are paid annually by the U.S.S.R. to Japan for tonnage chartered in the East. Thousands of Japanese fishermen and many specialists have been employed in the Russian fisheries till recently. Since 1930 all these activities have been badly hit by the independent policy of the Soviet organizations. In 1930 Russia was employing 3,000 Japanese in the floating canneries alone. In 1933 this labour was entirely dispensed with. The imports of nets which for years represented the largest single import from Japan to the Far Eastern Region declined to half their former value and quantity between 1930-3. The other articles imported from Japan for the Soviet fishing industry decreased proportionately in the same period, as the tables on the next page show.

The fishing-grounds of the Far East have probably given rise to more conflicting interests between Japan and the U.S.S.R. than even the more famous Chinese Eastern Railway. In the fisheries' contest the laurels certainly go to the Russians,

¹ Cf. *Izvestiya*, 1.iii.1934. In Spring 1934 the Japanese fishing industry was violently excited by the Soviet refusal to accept the prevailing rouble-yen rate of exchange at the auctions. Negotiations opened in Moscow on the subject in Summer 1934.

whatever about Manchuria. On both sides feeling constantly runs high and is expressed in many local incidents.¹ In two years the Fishery Convention of 1928 may be either renewed, revised, or denounced. It is most unlikely that the U.S.S.R. will be disposed to renew it in its present form. If negotiations are opened, they will undoubtedly be long and tedious, for the Russians will fight hard to get their own back in virtue of the new Convention which should regulate their future relations with the Japanese fishing industry in the Far Eastern waters.

Exports from Japan to the U.S.S.R.

(In millions of yen)²

	1928	1929	1930	1931	1932	1933
Nets	1.4	2.8	5.7	3.0	1.586	1.905
Tinned iron sheet manu- factures	0.299	1.2	2.7	1.8	0.839	0.704
Steam boats	0.212	0.621	1.144	0.094	0.026	0.800
Other vessels	0.362	0.857	2.504	0.638	1.973	0.563

(In 100 kin)³

	1928	1929	1930	1931	1932	1933
Nets	9,869	23,520	58,297	44,129	30,514	28,230
Tinned iron sheet manu- factures	No quantities given.			..	..	..
Steam boats (number) . .	43	107	167	6	2	5
Other vessels	No figures available.			..	..	..

Oil. During their occupation of Russian Sakhalin during the War the Japanese became acquainted with the oil resources of the island and started to exploit them. Though forced to evacuate Soviet territory after the War, their interest in the coal and oil of northern Sakhalin was perpetuated by the concessions granted to them by Protocol B of the Soviet-Japanese Treaty of 1925.⁴

¹ Cf. *Kölnische Zeitung*, 4.vii.1933: three Japanese fishermen were shot by a Soviet coastal patrol off Kamchatka. *Vossische Zeitung*, 4.iii.1933: two Soviet merchant ships were seized near the Kurile Islands by the Japanese navy on a charge of spying. *Russland und Asien*, 18.vii.1932: Japanese motor trawlers were fired on by a Soviet coastal patrol.

² Cf. Annual Return of the Trade of Japan, Dept. of Finance, Tokio, 1928-33.

³ *Ibid.*

⁴ For text see Appendix V.

In virtue of the stipulations of this treaty, amplified by the detailed concessions contracts signed in Moscow in December 1925, Japanese companies nominated by the Japanese Government obtained the legal right to mine petroleum on 50 per cent. of the oil-bearing land exploited by the Japanese during the occupation;¹ the Soviet Government might grant the remaining half of the petroliferous districts to other foreign concessionaires, in which case, however, the Japanese companies must receive equal opportunities to enter bids.

Instead of fifty-five to ninety-nine years, as the Japanese had urged, both the oil and coal concessions are for a period of from forty to fifty years.

In addition to an annual rental of 4 per cent. of production, the concessionaires pay the Soviet Government a 5 per cent. royalty on a total annual oil production of 30,000 metric tons or less. For every added 10,000 metric tons the royalty rises 0.25 per cent. until a yearly output of 430,000 tons is reached, after which a 15 per cent. royalty will be collected. The concessionaire pays the Soviet Government a money fee equal to 45 per cent. of the value of all gusher oil and a royalty on gas varying from 10 to 35 per cent. according to petrol content.²

In 1927 another concession contract was signed between Japan and the U.S.S.R. whereby Japan obtained an additional 1,000 sq. versts of land in North Sakhalin for oil-prospecting purposes, till 1936. It was further laid down in the contract that in the event of oil being found, the fields should be worked mutually, according to the system established by the original concession. In spite of the extraordinary difficulties in the exploitation and transport of Sakhalin oil, the Japanese have been very successful in developing this new source of wealth. The Russians only started their boring operations in 1928. It is characteristic of their relations that in the first place the Russians had to seek a three years' credit from Japan, so as to obtain the necessary boring materials, pipes, &c., to start work. In accordance with the terms of

¹ Cf. Appendix IV for Japanese Memorandum of 1924, describing state of oil and coal exploitation in Russian Sakhalin in 1924.

² Cf. *Izvestiya*, 20.1.1928. Fischer, L., *The Soviets in World Affairs*, pp. 558-9.

this credit arrangement, most of the Russian oil produced in the first three years was disposed of to the Japanese fleet, which has remained the chief customer.

Russian and Japanese production of oil in North Sakhalin¹

In tons.

	<i>Japanese production</i>	<i>Russian production</i>
1926	29,829	..
1927	78,700	..
1928	104,000	17,000
1929	187,000	26,065
1930	195,040	96,268
1931	275,000	133,172
1932	250,000	202,800

Apart from crude oil from Sakhalin, oil products are also imported from European Russia to Japan and made a sensational appearance on the Japanese market in 1932-3. In September 1932 a Japanese business man, Kojiro Matsuka, suddenly concluded an oil deal with Moscow for deliveries of 27,500 tons of petroleum in the first year and for 50,000 tons in the second. He then proceeded to found the Japan-Soviet Oil Co.² The price arranged with the Naphtha Syndicate for these consignments was reported to be very satisfactory for competition in Japan. The fact that the Japan-Soviet Oil Co. immediately started underselling the big oil cartel which had hitherto dominated the Japanese market caused a great flutter in Japanese oil circles and in the press. The Japan-Soviet Oil Co. sold petrol at 33 sen, while the Gasolin Syndicate price was 46 sen.³ The result was that the price of petrol fell all round. Incidentally Soviet oil is considerably handicapped in competing against the American and Anglo-Dutch oil groups in Japan by the relatively heavy freight charges arising from the long sea journey from Batum and the dues payable in transit through the Suez Canal. Excluding oil from the Japanese concessions in Sakhalin, the percentage

¹ Cf. *Industrie und Handel*, op. cit.

² Cf. *Ost-Asiatische Rundschau*, 16.xi.1933.

³ *Ibid.*

of Russian oil products in the total oil imports of Japan was as follows in 1930-2:¹

1930	1931	1932
19.2 per cent.	18.2 per cent.	15.2 per cent.

In view of the strong anti-Japanese feeling in Moscow during the Manchurian operations, it is curious to find several oil contracts for the Japanese troops in Manchuria and Korea placed with the Soviet Trade Representative in Tokio in 1932-3.²

Coal. A Japanese company, 'The North Sakhalin Coal Mining Co.' (capital 10 million yen) obtained a concession to work the coal-mines at Doue on the west coast of Sakhalin in 1926.³ In virtue of the original Concession Agreement between Japan and the U.S.S.R., the 'concessionaire will annually hand over to the U.S.S.R. from 5 to 8 per cent. of the production from the coal-mines'. Good coking coal is imported to Japan from these mines, but in view of the alternative resources in South Manchuria they have not the same importance for Japan economically as the adjacent oil concessions. The imports of North Sakhalin coal to Japan rose from 46,600 tons in 1921 to 116,692 tons in 1931. Since 1929 they have been declining and are only a small fraction of Japan's total imports of coal.⁴

Imports of coal to Japan from Asiatic Russia⁵

(In thousands of yen)

1928	.	.	.	.	1,302
1929	.	.	.	.	1,646
1930	.	.	.	.	1,509
1931	.	.	.	.	1,246
1932	.	.	.	.	1,144

Timber. In contrast to the imports of oil and coal from Asiatic Russia to Japan, much of which originates in the

¹ *Sowjetwirtschaft und Aussenhandel*, Dec. 1933, Nos. 23-4.

² Cf. *Russland und Asien*, 29.ix.32, 15.iv.32.

³ Cf. *Izvestiya*, 20 i.1928. Cf. Memo. 1924 in Appendix IV.

⁴ Cf. *Vneshniaia Torgovlia*.

⁵ Cf. *Financial and Economic Annual of Japan*, 1933.

Japanese concessions, timber comes from the Soviet State forests of the Far Eastern Region and most of it is placed on the Japanese market directly by the Soviet State Trade Representation or by *Dalles*. One or two large Japanese firms occasionally directly import timber from the Far East, but this is exceptional. There were formerly a few Japanese timber concessions in the Maritime Province, wrung from the Soviet Government in virtue of the Treaty of 1925. In 1927 'The Far Eastern Timber Industry Syndicate' and 'Rorio Rengio Rumian' obtained such concessions. Owing to the difficult conditions enforced by the Soviet authorities regarding the erection of saw-mills and paper factories, labour regulations, &c., these concessions were soon relinquished.

Before the War Russian timber from the Far Eastern Province entirely supplied the limited needs of the Japanese market. American timber at this time was scarcely known in Japan. During the War the position changed rapidly. American timber then obtained the leading place on the Japanese market which it holds to-day. As a result of the Tokio earthquake Japanese imports of timber rose enormously after 1922

Imports of timber to Japan¹

(In thousands of cubic feet)

<i>Year</i>	<i>From Russian F.E.R.</i>	<i>From America</i>
1910 . .	3,077	..
1912 . .	807	..
1914 . .	1,044	911
1916 . .	1,057	1,208
1919 . .	3,038	3,283
1921 . .	5,113	31,552
1922 . .	12,000	49,243

and the market has continued to expand very greatly in the whole post-War period. Japan now re-exports timber to China and has developed a considerable export trade in cheap furniture for which Russian timber is partly used. This Russian timber exported to Japan comes exclusively from Asiatic

¹ Cf. *Ekon. Sjiizn dalnevo Vostoka*, Aug. 1925.

Russia, and supplied the following decreasing percentage of Japanese imports in recent years:

Percentage of Russian timber in total Japanese imports¹

1930	1931	1932
16.8	12.2	10.1

The value of these imports² has also been falling steadily since 1927-8:

Imports of timber from Asiatic Russia³

(In thousands of yen)

1928	1929	1930	1931	1932	1933
12,810	10,278	8,921	5,278	3,531	2,597

In 1932 the prevailing duties on Russian timber imported into Japan were greatly increased.⁴ They had already been raised in the case of American timber in 1929, when no change was made in the rates for Northern timber. At this time the falling price of timber in Japan, ascribed to Soviet dumping, had caused an outcry in the home industry and an inquiry was called for. The Tariff Commission, having investigated the question, decided that the falling prices were not due to Soviet dumping, which in this case had not occurred.⁵ It was later stated that prices had fallen as a result of large imports of Southern Sakhalin timber, which closely resembles the varieties imported from the Maritime Province, i.e. Manchurian cedar, pine, fir, larch. The series of rising duties imposed by Japan on timber to protect the home market are asserted by the Soviet authorities to fall more heavily on Russian timber than on American. The duties are specific and, as the Russians import cheap timber for the most part, the duties are proportionately heavier on it than on the more expensive American varieties.⁶

¹ Cf. *Sowjetwirtschaft und Ausserhandel*, Dec. 1933, Nos. 23-4.

² Cf. Appendix XI for detailed statistics of imports of Russian timber to Japan, 1929-33.

³ Cf. *Financial and Economic Annual of Japan*, 1933, 1934.

⁴ Cf. *Tamozhennaya Politika i Tamozhennis Tarifi Stran Vostoka*, Moscow 1933, Chamber of Commerce of the U.S.S.R.

⁵ Cf. *Yearbook of Foreign Trade*, 1931, Moscow; 'Japan'.

⁶ Cf. *Tamozhennaya Politika*, op. cit.

Other Russian exports to Japan. Practically the entire import of platinum to Japan comes from European Russia, or 97 per cent. in 1932.¹ The other secondary exports are: caustic soda (from European and Asiatic Russia), asbestos, zinc ore, lead, scrap iron. Russia exports no grain to Japan.

Russian Exports to Japan²

(In million roubles)

1930		1931		1932		1933	
Value	Per cent. of total Russian exports	Value	Per cent.	Value	Per cent.	Value	Per cent.
16.0	1.5	19.8	2.5	10.1	1.7	9.1	1.8

Imports from Japan to the U.S.S.R. The chief Russian imports from Japan have already been discussed in connexion with the fisheries. The other imports include a large number of items all relatively small in value, e.g. machinery and spare parts, electric equipment, iron-wire, worked copper, cut timber, tea, sugar, rice and small quantities of other foodstuffs, certain articles of clothing (gloves, shoes, galoshes, woollen garments) all destined, with the exception of tea, for Asiatic Russia. Practically none of the ubiquitous Japanese cotton textiles or electric bulbs find their way either to European or Asiatic Russia. These articles have an unimportant place in the foreign trade of either country, whether viewed as imports to Russia or exports from Japan.

Russian imports from Japan³

(In million roubles and per cent. of total imports)

1930		1931		1932		1933	
Value	Per cent.	Value	Per cent.	Value	Per cent.	Value	Per cent.
16.8	1.6	12.7	1.1	4.8	0.7	7.3	2.1

¹ Cf. *Sowjetwirtschaft und Aussenhandel*, Dec. 1933, Nos. 23-4.

² Excluding raw platinum. Cf. *International Trade Statistics 1931-2*, League of Nations, Geneva, 1933.

³ *Ibid.*, 1930-3.

*Japanese exports to Russia¹**(In millions of yen and per cent. of total exports)*

1930		1931		1932		1933	
Value	Per cent.	Value	Per cent.	Value	Per cent.	Value	Per cent.
28.32	1.9	17	1.5	14	1	14	0.7

Japanese nets, boats, tinfoil, technical resources of all kinds have been lavishly used in building up the Soviet fishing industry. Now, as has been described, every effort is being made to reduce such imports to Asiatic Russia and to manufacture the required nets and boats at home. The Soviet 'Fishing Tackle Combinat' started to function in 1932-3. Boats are being built in increasing quantities at Vladivostok and at the recently reorganized shipbuilding wharves on the Amur.² These already dwindling Japanese exports would therefore seem to have a poor future on the Soviet market.

General features of Soviet-Japanese economic relations. Russia has always had a favourable balance of trade with Japan. The balance of payments between the two countries is not so easy to estimate and would certainly not be equally favourable for

(In thousand roubles)

	1913 ¹	1929 ²	1930	1931	1932	1933 ³
Russian exports to Japan	4.844	19.271	16.027	19.827	10.099	9.124
Russian imports from Japan	1.409	8.269	16.784	12.668	4.786	7.349

Russia. Large sums of valuta are annually expended by the U.S.S.R. for Japanese tonnage, wages paid to Japanese workers in the Russian fisheries, &c., none of which figure in the customs and trade returns. It is interesting to note that it is Soviet Russia which has always sought credit from Japan, in spite of the favourable balance of trade, and not vice versa.

¹ Cf. *International Trade Statistics 1931-2*, League of Nations, Geneva, 1933.

² Cf. *Izvestiya*, 7.ii.34 'Report of XVIIth Congress of A.R.K.P.', *Za Industrializatsiu*, 11.iv.1932.

³ Cf. *Ekon. Sjtzn dal'nogo Vostoka*, 'Japan in Far Eastern Trade', May 1925.

⁴ Cf. *International Trade Statistics*, 1931, for years 1929-32 inclusive.

⁵ Cf. *Vneshniaia Torgovlia*, Dec. 1933.

Commercial credits have frequently been granted by large Japanese firms interested in trade with Russia and also by the Japanese banks and the Government. At every favourable juncture in the political relations of the two countries the question of extending these credits on a large scale crops up in one form or another. This idea was very much in the air in 1932, when it was proposed for example to import machinery, electric apparatus, chemicals, engines, amounting to 50 million yen to the U.S.S.R. from Japan, if credit could be satisfactorily arranged. The scheme ultimately fell through owing to the subsequent political crisis between Moscow and Tokio. Apart from special private credits, Russian trade with Japan is covered to a certain extent by the provisions of the Japanese Export Credit Insurance Act (17.v.1930).

The natural preponderation of Asiatic Russia in Japanese trade with the U.S.S.R. is clearly shown by the following table¹ (giving percentages in total trade of Japan):

	1931				1932				1933			
	Import		Export		Import		Export		Import		Export	
	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%
European Russia	4	0.3	2	0.2	1	0.1	1	0.1	6	0.3	2	0.1
Asiatic Russia	31	2.5	15	1.3	31	2.2	13	0.9	32	1.6	12	0.6

It is interesting to note that between 1931-3 Russo-Japanese trade fell relatively slightly, compared to the large decline in Russian trade over the Manchurian frontier during the same period.²

The political tension between Japan and the U.S.S.R., which almost reached breaking point on the Soviet-Manchurian frontier in 1932-3, has not only visibly affected the course of their economic relations, but also strongly influenced Soviet domestic policy in the Far East. Political distrust of Japan is at the root of three-fourths of the economic activity latterly initiated by the Soviet Government east of Chita. And political uncertainty as much as the desire to exploit hitherto neglected commercial opportunities has directed Soviet energies towards the Far Eastern fisheries. It is no

¹ Cf. *International Trade Statistics*, op. cit., 1931 and 1932; 1933.

² Cf. Chapter III for details of Russo-Manchurian trade.

exaggeration to attribute the actual solicitude for the Far Eastern Region—the Cinderella of the Soviet Union—to fear of Nippon. Cinderella is now to be tidied up and arrayed in modern garments of her own manufacture, according to the Plan. All of which must eventually mean less trade with Japan if it succeeds. An industrialized Soviet Far East is still, however, a very remote contingency. And on the way to that goal there should be plenty of openings for Soviet-Japanese economic co-operation—if political relations between the two countries clarified. Meanwhile as a result of the sale of the C.E.R.—payment for which is to be partly made in goods—a Soviet Trade Commission arrived in Tokio in March 1935¹ so as to be able to supply the Soviet Government with first-hand information regarding the products of Japanese industry most useful to the U.S.S.R. It is assumed that these deliveries will consist of machinery, engines, fishing equipment, tea . . . for the most part. Moreover, the idea of a long term credit to enable the Russians to purchase Japanese industrial goods on a much larger scale than formerly is once more in the air. The termination of the long-protracted negotiations for the sale of the C.E.R. has undoubtedly gone far towards improving the atmosphere between Tokio and Moscow at the moment. Economically there are a thousand reasons why both sides should endeavour to give this new feeling firm roots and permanency.

No two countries could economically be more in each other's pockets than Japan and the U.S.S.R. in the Far East. Their people are working side by side in the oil concessions; in the fisheries their enterprises meet at every turn. In the exchange of goods and services for years what one had to give, the other required. If the Russians owned the fishing-grounds, they had, on the other side, no apparatus or proper boats to work them. All were supplied by Japan. If they had oil and coal in Sakhalin, the equipment had also to come from Japan before they could extract one ton of material. And so on. It is clear that under such conditions of close contact there must be innumerable occasions for friction, for thwarting or check-mating the other party, unless the political atmosphere is

¹ Cf. *Izvestiya*, 26.iii.1935.

clear and induces confidence. In the record of Soviet-Japanese economic relations neither goodwill nor confidence can be said to predominate. Still, before Japan 'breaks with the Soviet Union she must consider whether she is ready to re-occupy Northern Sakhalin and to seize Kamchatka and the Maritime Province. Otherwise the envenoming of relations with Moscow becomes a very serious matter to Japanese business and to the Japanese Government.'¹ This was written in 1930 and is even more true to-day.

¹ Cf. Fischer, Louis, *The Soviets in World Affairs*, London, 1930, p. 560.

III

SOVIET ECONOMIC RELATIONS WITH CHINA, INCLUDING MANCHURIA¹

THE Soviet Government inherited many privileges in regard to trade with China from the Czarist régime. There were favourable agreements affecting tariffs, river traffic, and freight rebates in Manchuria. Above all, there was the mixed blessing of the Chinese Eastern Railway Concession, the biggest business enterprise in China.²

As a result of Russian penetration in north Manchuria in the wake of the Chinese Eastern Railway, a demand for Russian goods had developed early in the twentieth century and everything possible was done by the Imperial Government to facilitate this trade. The Russians were in fact the first foreigners to trade in this region. Thus Russian sugar, textiles, cigarettes, and certain metallurgical products were well known along the Chinese Eastern Railway zone before the War. Trade with China proper and the Treaty ports was, however, small and chiefly consisted of imports of Chinese tea. Owing to these large imports of tea, tea-drinking Imperial Russia always had an unfavourable balance of trade with China.

Though never very considerable, pre-War Sino-Russian trade was several times larger than Russo-Japanese trade. A report of the Russian Consul-General in Shanghai, published in 1909,³ laments the unsatisfactory state of Russian trade with China and the lack of preparation for the market, especially in the way of sea transport facilities.

¹ The relations between the U.S.S.R. and Chinese Turkistan and the U.S.S.R. and Outer Mongolia have been discussed in my previous work: *Soviet Economic Policy in the East* (1933). Throughout this chapter the term Sino-Soviet trade refers exclusively to trade with China proper and Manchuria (up to 1932). If the whole of China were taken into account the figures would of course be very much larger.

² Cf. Chapter IV below, 'The Chinese Eastern Railway'.

³ Cf. *Report of the Russian Consul General in China, 1909*, Ministry of Trade and Communications, St. Petersburg, 1909.

	1913 ¹
Russian exports to China . . .	17,981 thousand roubles
Russian imports from China . . .	62,369 " "

Russian exports to China ceased during the War and were only resumed in 1923-4 under Soviet auspices. Before diplomatic relations between the two countries were officially renewed in 1924, Soviet trade continued in a desultory fashion

Imports from China to the U.S.S.R.²

(In thousands of roubles)

Class	1923-4	1923-5	1925-6	1926-7	1927-8
Foodstuffs, chiefly tea and beans	6,131	10,831	17,907	15,980	29,031
Raw material and semi-manufactured goods	1,296	1,311	1,892	1,762	2,344
Live stock . . . . .	..	46	273	103	7
Various	739	138	434	330	220
Total	8,166	12,326	20,506	18,175	31,602

Exports from the U.S.S.R. to China³

(In thousands of roubles)

	1923-4	1924-5	1925-6	1926-7	1927-8
Foodstuffs	721	805	921	944	1,214
Raw material and semi-manufactured goods	3,425	5,265	4,610	51	7,044
Manufactured goods	48	959	5,146	1,947	5,451
Total	4,194	6,429	10,677	2,942	13,709

with north Manchuria and the Amur basin, pending a regular treaty basis. The Peking Agreement of May 1924⁴ provided for an eventual Conference to discuss trade between China and the U.S.S.R., leaving all commercial questions in the air. According to the corresponding Agreement with Chang Tso-

¹ Cf. *Vneshniaia Torgovlia*, No. 10, 1933.

² *Ibid.*

³ On account of the misleading nature of official Chinese trade figures, which make no distinction between goods in transit and those actually taken by a particular country, I have in most cases used Soviet statistics in this chapter. Moreover, before 1929, when the law was changed, Chinese goods shipped from a Chinese port to Harbin via Vladivostok even lost their identity. Thus beans exported from Manchuria via Vladivostok to Europe were reckoned as exports to Russia.

⁴ Cf. Appendix VII for text of this Agreement.

lin at Mukden (Sept. 1924) the navigation of the Sungari river was permitted to Soviet ships up to and including Harbin. Russia at the same time allowed Chinese ships to operate on the Amur river within Russian territory to the sea. The agreement reversed the Chinese orders of 1920 and 1924, prohibiting the navigation of the Sungari by Russian ships proceeding to Kirin; and, in the second case, the navigation of the Sungari river in general. If not revoked, these restrictions would have been a very heavy handicap for Russian trade in Manchuria.

In spite of the constant political friction between China and the U.S.S.R., trade grew between 1924 and 1929.

In December 1927 the National Government severed relations with the Soviet Union as a result of the Communist riots in Canton, though the Soviet Consuls continued to function in Manchuria. By a special Mandate of three Chinese ministries, i.e. Foreign Affairs, Finance, and Communications, the following Soviet trading agencies were liquidated in Shanghai (on account of the alleged non-commercial nature of many of their activities):

Dalbank.

Sootorgflot.

Soviet Trade Mission.

Transport Office of the Ussuri Railway.

U.S.S.R. Insurance Corporation.

The Shanghai branch of *Centrosoyus* and the Chinese Eastern Railway Commercial Agency were allowed to remain open after the fracas, under the strict supervision of a Joint Committee of the three ministries above mentioned.¹ Two years later the troublous scene shifted to Manchuria, where a violent conflict between the Soviets and the Chinese on the Chinese Eastern Railway resulted in the closing of the Russo-Manchurian frontier in 1929. At this time the Chinese dissolved the offices of the Naphtha Syndicate, the *Sootorgflot*, and the *Dalgostorg*.

The closing of the Russian frontier in summer 1929 and the seizure by Russia of Chinese steamers on the frontier rivers, in retaliation for China's action in connexion with the Chinese Eastern Railway, caused a complete stoppage of Sino-Russian

¹ Cf. *China Year Book*, 1929-30.

trade, brought the fur business in the Amur basin to a standstill, and paralysed towns like Aigun on the Russo-Manchurian frontier.¹ As a result of the Habarovsk Agreement in December 1929 the frontier was reopened and Russo-Manchurian trade gradually flowed back to the normal channels, though there was still no resumption of diplomatic relations between China and the U.S.S.R. Between 1928 and 1930 there were many shipments of cheap Russian textiles to China. As soon as the Chinese Eastern Railway incident had abated, textiles were also sent along the line from Manchouli to Harbin, which became the distributing centre for Manchuria, and were re-exported from there via Vladivostok to Shanghai and other Treaty ports.² Prices were extremely low but seldom low enough to compete against Japanese textiles successfully, except in north Manchuria. Since 1930 these exports of textiles have been steadily declining.

Exports of Soviet textiles to China

1929		1930		1931		1932		1933	
tons	th.r.	tons	th.r.	tons	th.r.	tons	th.r.	tons	th.r.
1,088	2,480	1,413	3,651	1,277	3,021	470	1,155	911	843

During this period Soviet cigarettes began to be imported in bulk to Harbin, and there were several consignments of tobacco stalk from Russia. For the first time, in 1932,³ Russian fishery products appeared on the Chinese market in Tientsin, albeit in small quantities. They had been launched a few years previously in north Manchuria. Soviet agricultural machinery was also beginning to establish itself on the north Manchurian market, and these exports rose from 6.3 per cent. of the total Soviet exports of agricultural machinery in 1929-30 to 7.825 per cent. in 1931.⁴ In a recent study of the import possibilities of Eastern markets published by the U.S.S.R. Chamber of Commerce, north Manchuria is specially indicated as a natural and promising market for Soviet agricultural

¹ Cf. Chinese Maritime Customs, *Report of the Trade of China, 1929, 1930.*

² Cf. Chinese Maritime Customs, *Report of the Trade of China, 1929, 1930.*

³ Cf. Chinese Maritime Customs, *Report, 1931, 1932.*

⁴ Cf. *Ejegovnik vneshnei torgovli, 1931: 'Exports of New Commodities'.**

machinery, textiles, and oil products.¹ This is borne out by the actual Sino-Russian trade statistics up to 1932. All through China there has been a tendency on the part of Chinese importers to play Soviet credit and price-elasticity against the former monopolistic suppliers of these three widely used commodities, i.e. agricultural machinery, oil, and cotton textiles.

Oil. In 1929-30 Russia entered the Manchurian oil market with deliveries of benzine and kerosene from Blagovestchensk. These exports of Soviet oil products steadily increased until the end of 1932, and, owing to the large percentage of Soviet kerosene used in Manchuria, the U.S.S.R. came a good second to the dominating American groups in 1931. Since the consolidation of the Japanese position in Manchuria in 1932, the bright prospects which seemed to await the operations of the Naphtha Syndicate have been rapidly undermined. Statistics showed an abrupt fall in the oil products imported from the U.S.S.R. in 1933. Moreover, when the controversial Manchurian State monopoly of the oil business comes into operation in 1935, as announced, there will be effective machinery at hand for further reducing imports of Soviet oil, if the authorities so desire.² It is perhaps an indication of the way the wind is blowing that the *Manchurian Daily News* (15.ii.1935) in listing various foreign oil groups to be granted licences under the oil monopoly system, e.g. Socony, The Asiatic Petroleum Co., Texas Oil Co., &c., does not specifically mention the Naphtha Syndicate, though it will continue no doubt to operate in Manchuria, with clipped wings.

Imports of Soviet Oil Products to Manchuria 1931-3³

(In American Gallons)

	1931	1932	1933
Gasolene, naphtha, and benzine	626,779	1,253,659	995,100
Kerosene	2,287,022	2,832,307	2,053,212
Lubricating oil	88,892	204,095	287,414
Total	3,002,693	4,290,061	3,335,726

¹ Cf. *Importnie rinki vostochnix stran*, U.S.S.R. Chamber of Commerce, 1933.

² Cf. *Manchurian Month.*, March 1935.

³ Cf. *Manchuria Year Book*, 1932-3, 1934.

Throughout 1932-3 China proper was the scene of a feverish struggle between the Soviet Russian Petroleum Trust and the big Anglo-American oil groups, Shell, Socony, and the Texas Oil Co. Russia had been annually increasing her exports of oil products since 1929 and seemed determined to try to drive her competitors from the Chinese market by a reckless price war. Between May-November 1933 the price of petrol fell from \$1.20 mex. per gallon to 70 cents.¹ At the end of the year Russian oil supplied 30 per cent. of Chinese consumption. The Russians then walked straight into the trap laid for them by their opponents by selling themselves out. Chinese consumers had good reason to rejoice at this price war, as petroleum prices in China were hitherto higher than elsewhere and notably higher than in Japan. In a country like China, with an enormous rural population and little electricity, the kerosene market is relatively very important. Owing to the competition between the oil companies the price of kerosene fell about 40 per cent. in 1933. Another factor tending to keep oil prices down is the widespread movement in China (among small Chinese companies) to distillate at home, so as to benefit by the lower duties imposed on unrefined products. In 1933 Russia increased her exports of oil products to China by 2 million gallons.² Nevertheless it will be difficult for the Soviets to keep their place on the Chinese oil market unless they can improve their present plant and defective organization of supplies and distribution, a branch of the business in which the American and English competing companies are admittedly experts.³

Soviet exports of oil products to China, 1929-33⁴

1929		1930		1931		1932		1933	
tons	th. r.	tons	th. r.	tons	th. r.	tons	th. r.	tons	th. r.
4,410	552	12,464	1,329	38,783	1,632	93,766	2,150	105,958	2,096

The special Committee set up by the Soviet Government in 1933 to investigate the oil industry of the U.S.S.R. reported

¹ Cf. *Ostasiatische Rundschau*, 16.xi.1933.

² Cf. Chinese Maritime Customs, *Report*, 1933.

³ Cf. *Börsenzeitung*, 17.xii.1933.

⁴ Cf. *Vneshniaia Torgovlia*, Dec. 1930, 1931, 1932.

that stronger efforts must be made to establish Soviet oil products in Asiatic countries. The need of a Soviet refinery in a southern Chinese port and of building up a separate distribution system in China was also emphasized.¹

Timber. Simultaneously with oil products, exports of Soviet timber, especially of soft woods, have been increasing to China. This is strikingly illustrated by the fact that while importations from the U.S.S.R. were only about a quarter of the imports from the U.S.A. in 1931, the quantities imported from the two countries in 1932 almost reached parity.²

Considerable quantities of Russian softwood, both rough and sawn, and railway sleepers are absorbed by Manchuria, though it may be presumed that with the passing of the Chinese Eastern Railway from Soviet control greater efforts

Exports of Siberian pine from Russian Pacific ports and Siberia, 1930, to China³

(In sup. feet)

From Russian Pacific ports	61,065,000
From Russia and Siberia	7,730,000

Imports of softwood to China⁴

(In sup. feet)

	1931	1932
From U.S.A.	240,249,000	98,879,600
Russia:		
Pacific ports	65,639,000	83,807,300
Siberia	2,190,000	725,500

Timber imported from the U.S.S.R. to Manchuria⁵

	1932		1933	
	per 100 sup. ft.	value M. yuan	per 100 sup. ft.	value M. yuan
Softwood, rough	79,225	248,072	161,219	548,702
Softwood, sawn	15,868	116,746	77,556	342,334
Railway sleepers	175,529 (pieces)	348,956	4,161 (pieces)	4,370

¹ Cf. *Za Industrializatsiu*, Dec. 1933.

² Cf. Chinese Maritime Customs, *Report*, 1932.

³ Cf. Chinese Maritime Customs, *Report*, 1930.

⁴ Cf. Chinese Maritime Customs, *Report*, 1932. For details of Russian timber imported into China see table in Appendix XI.

⁵ Information kindly supplied by Manchukuo Bureau of Information.

will be made than formerly to supply this material locally. Already in 1932-3, during the early stages of the Chinese Eastern Railway sale negotiations, the imports of timber from the U.S.S.R. for railways sleepers fell heavily.

Chinese tariffs affecting Soviet trade with China. The changes in the Chinese tariff introduced in 1931 fell rather heavily on several promising Soviet exports to China.¹ The duty on cotton textiles rose from 25 per cent. to 125 per cent., on matches 4 per cent., and on sea-products and fish by 158 per cent. (The U.S.S.R. is specially interested in imports of sea cabbage, trepang, and crab to China.) On timber the former fixed rates were abolished in favour of a tax of 10 per cent. *ad val.* The chief Chinese exports to Russia, tea and beans, were entirely exempt from taxation.

Chinese exports to Russia. Tea is the chief export from China to Russia, and in spite of many and violent fluctuations in value since the great days of the trade with Imperial Russia, it still remains the most valuable item on the export list.

Imports of Chinese tea to Russia²

1923		1929		1930		1931		1932		1933	
tons	th.r.	tons	th.r.	tons	th.r.	tons	th.r.	tons	th.r.	tons	th.r.
51,582	35,769	13,012	14,146	10,691	6,208	11,597	5,438	5,968	2,634	9,935	2,422

China is the largest exporter of tea to Russia³ and the latter is the largest buyer of Chinese tea. The uncertainty and diminution of Russian orders since the Revolution has greatly disturbed the best tea-producing areas of China. For example, in 1929, when trade relations with Russia were suspended, the black brick tea factories were practically closed down in Shanghai.⁴ The Chinese had hopes that as a result of the resumption of diplomatic relations with the U.S.S.R. in 1932 their tea exports would improve. In fact this did not make very much difference, especially in the case of the Wenchow teas, because the Russians refused to buy except on a long-credit basis.⁵

¹ Cf. *Tamojshennie tarifi Stran Vostok*, op. cit.

² Cf. *Vnashniaia torgovlia S.S.S.R. za period 1918-27-28*, Moscow 1931. Ibid. 1932, 1933.

³ For table of imports of tea from various countries to U.S.S.R. cf. Appendix.

⁴ Cf. Chinese Maritime Customs, *Report*, 1929.

⁵ Cf. *ibid.*, 1933, p. 21.

Principal countries to which China exported tea in 1932, 1933¹

	1932	1933
	piculs	piculs
Russia and Siberia	228,451	230,262
Morocco	115,770	115,530
Hong Kong	50,220	81,246
U.S.A.	64,393	51,459
Great Britain	58,946	40,707
Algeria	31,039	31,248
France	18,487	21,951
British India	33,228	20,996

Apart from tea, the only Chinese exports to the U.S.S.R. are foodstuffs (chiefly beans, bean products, and millet from Manchuria). Since 1932 these Manchurian exports can no longer be reckoned as coming from China, and tea thus remains practically the only commodity of any importance on the Chinese export list to the U.S.S.R.

While Chinese exports to the U.S.S.R. have been steadily shrinking since 1929, Soviet Russia has reversed the long-standing unfavourable balance of trade with China, and her exports of timber and oil have greatly increased to the Treaty ports as has been shown.

Soviet exports to China²

1929		1930		1931		1932		1933	
tons	th. rbls.	tons	th. rbls.	tons	th. rbls.	tons	th. rbls.	tons	th. rbls.
138,396	6,982	503,373	12,493	380,286	11,064	291,510	8,186	200,053	7,171
Per cent. of total Soviet exports		1.21		1.36		1.41		1.45	

Imports to U.S.S.R. from China

1929		1930		1931		1932		1933	
tons	th. rbls.	tons	th. rbls.	tons	th. rbls.	tons	th. rbls.	tons	th. rbls.
39,963	18,124	22,338	8,432	20,636	6,931	39,788	5,888	10,722	2,639
Per cent. of total imports		0.80		0.63		0.84		0.76	

¹ Cf. Chinese Maritime Customs, *Report*, 1932, 1933.

² Cf. *Vneshniaia Torgovlia*, for respective years. Percentages compiled from *International Trade Statistics*, op. cit., 1930, 1932-3, in which Chinese Turkistan—excluded here—is included in statistics of Chinese trade.

The period following the resumption of diplomatic relations between the U.S.S.R. and China in 1932 seemed to open favourably for Sino-Russian trade. The Japanese boycott was in full swing in China, and for the first time for many years the political atmosphere between China and Russia was serene. Optimism regarding trade was expressed in the press of both countries. In an article published in the *Chinese Economic Journal* of February 1933, Ho Ping Yin, Director of the Chinese Foreign Trade Bureau, even advocated a Chinese State trade monopoly for business dealings with the U.S.S.R. He declared that Russia should be a natural partner in the industrialization of China, provided that some way could be found for dealing profitably with her without prejudice to China's young industries. Ho Ping Yin wrote early in 1933. Six months later China was profoundly shocked to learn that the U.S.S.R. had offered to sell the Chinese Eastern Railway to Manchukuo, without consulting her and in alleged open violation of the Peking Agreement of 1924. There has since been no question in China of intensive economic collaboration with the U.S.S.R., though Soviet trade with the Treaty ports has continued normally.

The conditions and requirements of Russian trade with Manchuria and with the Treaty ports of China have always been different. This difference is now accentuated by the political cleavage between China and the former Eastern Provinces. And in view of the strained relations between the U.S.S.R. and Japan it was only to be expected that trade across the Soviet-Manchurian frontier would be adversely affected by the new political régime in Manchuria. One of the first results has been to place this promising market for Soviet oil and textiles, in particular, in jeopardy. The imports from the U.S.S.R. to Manchuria in 1931 amounted to 14,462,874 H.T. or 6.6 per cent. of the total imports to Manchuria. The following year they had fallen more than two-thirds in value, or to 4,375,729 H.T.¹ The slump in the exports from Manchuria to the U.S.S.R. has been almost as heavy, though it must be borne in mind in reading statistics of Manchurian exports to Russia up to 1932 that they

¹ Cf. *Manchuria Year Book*, 1934.

invariably include goods in transit through the U.S.S.R. as well as direct exports.

Trade between Manchukuo and the U.S.S.R.¹

(In Haikwan taels)

	1930	1931	1932	(In Manchurian yuan) 1933
Imports . . .	15,771,463	14,462,874	4,375,729	7,569,400
Exports . . .	50,797,436	45,476,555	21,657,989	12,917,628
Total . . .	66,568,899	59,939,429	26,033,718	20,487,028

Trade between Manchukuo and the U.S.S.R.²

(Unit M. yuan 1,000)

	1931	1932	1933
Imports from U.S.S.R.	20,986	6,825	7,569
Exports to the U.S.S.R.	65,946	33,785	12,918
Total . . .	86,932	40,610	20,487

N.B. The Manchurian yuan or silver dollar replaced the Haikwan tael as the official Customs unit of Manchukuo in 1932.

Comparative statistics of trade in first half of 1933, 1934

(In Manchurian yuan)

	1933	1934
Exports . . .	9,959,268	6,617,286
Imports . . .	4,654,788	3,146,808
Total . . .	14,614,056	9,764,094

Between 1931 and 1933 the total trade between Manchuria and the U.S.S.R. dropped about 37 per cent. on imports and exports. The percentage decline in trade is shown by the following table:³

Place held by the U.S.S.R. in foreign trade of Manchuria

(In percentages)

1931	1932	1933
8.5	4.4	2.2

¹ Cf. *Manchuria Year Book*, 1934; *Japan-Manchukuo Year Book*, 1935.

² Cf. *General Survey of Conditions in Manchukuo*, Dept. of Foreign Affairs, Hsinking, 1934.

³ Cf. *ibid.*

The economic interests of the U.S.S.R. have been hit in more than one direction by the tension on the Russo-Manchurian frontier in recent years. Not only has direct trade suffered: there has also been a drastic change in the orientation of Manchurian exports, which formerly passed—albeit in declining quantities—via Vladivostok in transit to Europe and America. This transit trade, which was the source of Vladivostok's former prosperity, has now gone to Dairen.

Exports to Europe via Dairen and Vladivostok¹

(In thousand tons)

	Dairen			Vladivostok		
	1932-3	1931-2	1930-1	1932-3	1931-2	1930-1
Soya beans . . .	1,446	923	684	198	463	767
Bean cakes . . .	70	65	34	..	1	4
Bean oil . . .	34	36	70	..	4	6
Other agricultural products . . .	105	106	75	..	8	12

Russia will not be the only party to suffer if the abnormal conditions prevailing on the Russo-Manchurian frontier since 1932 are allowed to continue. In fact, in normal times the U.S.S.R. imports far more from Manchuria than she exports thereto. The low agricultural productivity of the Soviet Far Eastern Region and of Transbaikalia has long rendered large imports of foodstuffs and grain necessary. It was natural and simple to procure them from the Manchurian farms. For the moment these supplies must be brought from western Siberia or even European Russia in part, while only a small percentage is being imported from Manchuria. It is extremely unlikely that this situation, which has its origin in politics and not in economics, will continue indefinitely. When the difficulties arising from the sale of the Chinese Eastern Railway are out of the way, trade should pick up again, though no doubt as long as the Japanese are masters of Manchuria the various Soviet trading agencies will be closely watched and their commercial activities more or less artificially restricted.² There are already indications that the disappearance of the

¹ *Eildienst*, 21.iii.1934.

² Cf. *Manchuria Year Book*, 1934.

Soviets from the Chinese Eastern Railway zone will be accompanied by a gradual reduction of all their affairs in Manchukuo. Nevertheless, the realities of economic geography are too clear and strong in the Amur basin not to make themselves felt in the long run, to the advantage of both parties concerned. The fact that a Manchukuo consul has already been appointed to Blagovestchensk, and that it is reported that others may also be sent in the near future to important centres in the Soviet Far Eastern Region, like Vladivostok and Habarovsk, seems to indicate that such fundamentals in the situation are being recognized even prior to formal recognition by the U.S.S.R. of Manchukuo.¹

¹ According to the latest information supplied by the Bureau of Commercial Affairs in Hsinking, 'there are six official Soviet Trade Agencies in Manchukuo, which have been established during the former Military Régime and are now located at Harbin, Dairen, Mukden, Manchuli, Pogranichnaya and Ta-pei-ho; they have not yet obtained formal recognition as Official Organs'. March 21, 1935.

IV
THE CHINESE EASTERN RAILWAY—BONE
OF CONTENTION BETWEEN RUSSIA, CHINA,
AND JAPAN (1917-1934)¹

IN this study of Soviet policy the early history of the Chinese Eastern Railway Concession does not enter into the picture. It must suffice to recall three fundamental stages in the pre-Revolution genesis of the concession: (a) Li Hung-chang's picturesque visit to Moscow in 1896 when the concession was conceived; (b) the Contract for the Construction and Operation of the C.E.R.² signed a few months later in Berlin which gave it birth;³ (c) the statutes approved by the Russian Government in December 1896, which were its working constitution.⁴

From the beginning the real ownership of the railway was obscured by the nominal prominence given to subordinate bodies in the title-deeds. The Russo-Chinese Bank (later Russo-Asiatic), and not the Imperial Government, for example, signed the original contract for the concession. A company to be known as the 'Chinese Eastern Railway Co.' was formed to be responsible for the construction and exploitation

¹ Some facts regarding the C.E.R. (cf. *North Manchuria and the C.E.R.*, Harbin, 1924):

Total length (since 1905): 1078 miles.

Manchouli to Suifenho: 927 miles.

Harbin to Changchun: 149 miles.

Estimated cost: 182.8 million gold dollars.

Lands assigned to the railway: 285,639 acres, including mining rights, forest concessions, &c., for ten miles on each side of the line.

Lands on which the railway was built to be free from any kind of taxation.

The Company was to have the exclusive right of administering its lands.

Revenue of Company to be free of all dues or taxes.

The C.E.R. acquired monopolistic navigation rights (in common with the Chinese) on the Sungari river.

The President of the Company was to be appointed by the Chinese Government. The shares of the C.E.R. could only be acquired by Chinese or Russian citizens.

² Usual abbreviation for the Chinese Eastern Railway.

³ Cf. Appendix VIII (a) for text of Contract.

⁴ Cf. Appendix VIII (b) for text of Statutes.

of the line—though the work from start to finish was carried out directly by the Russian Government. Only in the role of official financial guarantor of all liabilities of the C.E.R. not covered by its revenue, with compensating powers and privileges of a very far-reaching nature, was the real importance of the Imperial Government brought into relief, on paper. As the Imperial Treasury was not in a position to meet these liabilities out of its own resources, it had to borrow heavily abroad for this purpose. These foreign loans were not issued specifically for the C.E.R., so the Imperial Treasury remained the sole legal creditor of the railway, even if it were not so in justice to the French bond-holders, for example, who believed they were acquiring rights in the railway by buying the bonds.

Wherever the capital for the C.E.R. ultimately originated, Russia ran this great artery of communication across the wild and sparsely populated lands of North Manchuria, from the borders of Transbaikalia to Vladivostok, with complete success. In the wake of the railway came settlers, towns, churches, schools, hospitals, and the amenities of civilized life, where nothing had previously existed. Russia planned and administered all this new life in the railway zone with its Russian judiciary, Russian militia, Russian municipal administration. The documents of the time leave no doubt as to the real intentions of the Czarist Government in colonizing North Manchuria.¹ Between 1898 and 1904 it seemed only a question of time when Russia would annex the country. Then the Russo-Japanese War came and the question of annexation receded into the dim distance.

The Soviet Government and the C.E.R.

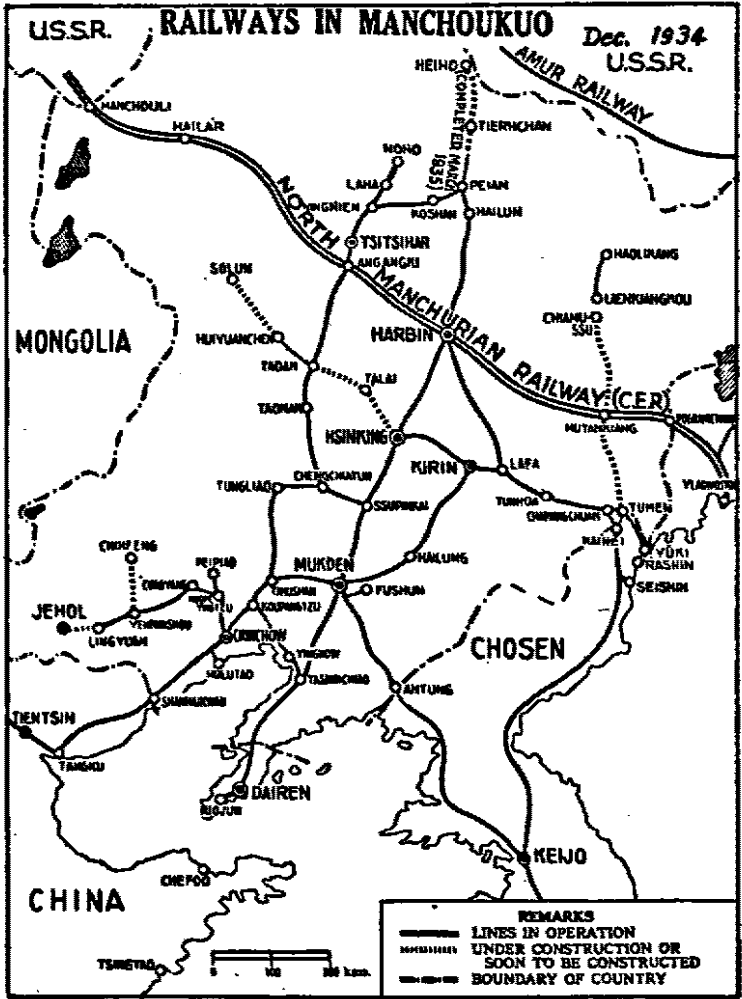
The C.E.R. was a most embarrassing inheritance for a Soviet Socialist Government. It had served the imperialistic aims of the Czarist régime and was the direct result of the kind of concession the Bolsheviki universally condemned. It was

¹ Cf. *inter alia*, *Mémoires du Comte Witte-Plon-Nourrit*, Paris, 1921, chap. iv: "I reminded the Minister of War, Kouropatkine, that the insurrection was caused by the seizure of the Kwantung Peninsula by us. "For my part", he replied, "I am very glad. This will give us a pretext for annexing Manchuria."'

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not surprising, therefore, that the Soviet Government, in the person of Karachan, before coming into actual contact with the line or its administration should have issued the famous Declaration of 1919 whereby it restores to the Chinese people, without any demand for compensation, the C.E.R. and renounces its share of the Boxer indemnity.¹ Meanwhile, since the fall of the Imperial régime in 1917, China had completely ignored the Soviet Government and treated the Russo-Asiatic Bank as the representative of Russia's interests in the railway. No notice was taken of the Karachan Declarations of either 1919 or 1920. The diplomatic representatives of the Czar remained at their posts in China till 1921, and China only recognized the Soviet Government in 1924. The railway zone was cut off from communication with Moscow and the new Russian Government by Transbaikalia and Siberia, the scene at this time of violent counter-revolutionary activity and civil war. In 1920 China, availing herself of the Soviet Government's remoteness and weakness, stepped into the C.E.R. zone, expelled the Russian railway militia, assumed responsibility for policing the line, and made large inroads into the administration of the Company. A pseudo-legal basis was given to these arbitrary measures by the *Supplement to the Agreement for the Construction and Exploitation of the C.E.R.* signed between the Chinese Government and the Russo-Asiatic Bank in October 1920.² According to this agreement China for the first time got her fingers in the C.E.R. pie and became a partner in its management. She obtained the following rights: (a) to appoint four members to the Board of Directors in addition to the President of the Company; (b) to appoint two members out of the Audit Committee of five; (c) offices on the railway were to be equitably distributed among Chinese and Russians. The agreement insisted on the purely commercial nature of the Company's work for the future and the suspension of all connexion with any extraneous political activities. The last clause dealt a death-blow to the administrative and judicial functions formerly exercised in the railway zone by Russia. By the eventual introduction of Chinese officials and

¹ For text cf. Appendix VIII (c).

² For text of this agreement cf. Appendix VIII (d).

Chinese law among a Russian-speaking community, it reduced towns like Harbin to a state of indescribable confusion. In virtue of a Presidential Mandate (1921), and in open violation of Articles 5 and 7 of the C.E.R. Statutes of 1896, the Chinese authorities imposed a typical series of stamp duties on businesses, property, revenue of all kinds, for the maintenance of the very inefficient Chinese police-guards.

Thus China, for the first time in the history of her relations with Russia feeling herself the stronger party, took full advantage of her opportunity. She rebuffed the Soviet Government by officially ignoring the offer contained in the Karachan Declarations while on the other hand she freely helped herself to all she desired of Russia's former rights and possessions. If justification were required for her arbitrary acts, she was always ready to assert, with a semblance of virtue, that the Unilateral Declaration of 1919 on the part of the Soviet Government had still binding force (in spite of the latter's protests to the contrary).

Meanwhile in 1919 an Inter-Allied Railway Committee had been set up in Vladivostok, with a Technical Board in Harbin, for the purpose of reorganizing traffic between Vladivostok and Siberia in the interests of the Allied intervention in Russia. The railway service had by this time become thoroughly disorganized, and technical and financial assistance was urgently required if the military requirements of the Allies were to be met. The activities of the Inter-Allied Railway Committee in so far as the C.E.R. was concerned were considerably less than has often been supposed. It practically confined itself to advice on certain questions of principle (i.e. the question of the gold standard of the C.E.R. currency), limited loans for the railway's current needs, and technical assistance of a secondary nature.¹ All the larger technical problems were solved by the Railway Administration's own initiative, following the appointment of the new Russian manager, M. Danilevsky, in 1920 and the inauguration of a better policy in regard to tariffs, &c. The Inter-Allied Committee was dissolved in 1922 after the evacuation of Vladivostok by the Japanese.

¹ Cf. *China Year Book*, 1923, p. 623.

The Soviet reply to the policy of ostracization so far pursued by the Chinese Government, in all that concerned the C.E.R., was to seize the transit port of Egersheld-Vladivostok belonging to the C.E.R. and the section of the Ussuri railway which was incorporated in its system on lease, in December 1922.

While Soviet Russia was still out of the picture, China attempted to get control of the C.E.R. river fleet on the Sungari. An order was issued by the local Manchurian authorities in 1920 forbidding Russian ships to proceed up the Sungari to Kirin. This was followed in 1924 by an order from Mukden forbidding Russian craft to ply in any direction on the river—an open violation of Russia's treaty rights under the Treaty of Aigun of 1858. Two-thirds of the river fleet was Russian at this time, but the Chinese move to obtain possession of all these Russian ships only partially succeeded. Many Russian firms transferred their tonnage by one arrangement or another to the Chinese flag and many simply laid it up and suffered the loss. So the situation rested until the matter was settled by the Sino-Russian Agreements of 1924.

The C.E.R. figured largely in the negotiations which opened in 1922 between China and the U.S.S.R., with a view to the recognition of the Soviet Government by China and agreement on many questions outstanding between the two countries. It was soon clear that the Soviet Government had no longer any intention of renouncing its rights in the C.E.R. but would accept the new basis of joint administration introduced by China in 1920. The Agreement for the Provisional Management of the C.E.R. annexed to the Peking Agreement of 1924 incorporated the 1920 Supplementary Agreement signed between China and the Russo-Asiatic Bank, and moreover recognized China's right to purchase the line prior to the expiration of the original agreement.¹ All the appointees of the Russo-Asiatic Bank were to be replaced at the discretion of the Soviet Government. The Peking Agreements were signed in May 1924. Meanwhile independent negotiations were being conducted by Soviet agents with Mukden. This is an important fact and was quoted as a precedent by Japan

¹ For text of this agreement cf. Appendix VIII (c).

in 1933 when ignoring China's rights in the C.E.R. sale negotiations.

A few months later, in September 1924, a corresponding agreement was signed with the war lord of Manchuria, Chang-Tso-lin, at Mukden. The only innovation was a clause permitting China to acquire the railroad at the end of sixty years, instead of eighty according to the Peking Pact. Russia's navigation rights on the Sungari river were also recognized up to and including Harbin, while Russia agreed to allow Chinese vessels to ply within Russian territory on the lower Amur to the sea. In view of the virtual independence of Manchuria at this time, this Mukden Agreement was of much more practical importance to the operation of the line than the Peking 'scrap of paper'. Commenting on these agreements, Louis Fischer remarked (and this view may be regarded as a reflection of the official Soviet mind): "To the Bolsheviki the practical distinction between sixty and eighty years was almost nil. The Bolsheviki felt that in less than fifty years a strong united or federated China will permit Russia unhampered transit through North Manchuria to the Pacific without Soviet ownership of the line."¹ Meanwhile, events have taken a very different course from this line of prophecy.

The preamble to these 1924 agreements, with a lofty disregard for realities, announced that 'in so much as the C.E.R. was built with capital furnished by the Russian Government and constructed entirely within Chinese territory, the said railway is a *purely commercial institution*'. For just these reasons, and the fact that it was managed by two Governments, the C.E.R. could never be 'a purely commercial institution' until this system was changed. Any conflict or disagreement regarding the management or policy of the railway as things stood led immediately to diplomatic action and introduced a constant political element which was the antithesis of a straightforward business atmosphere.² There were also seeds of trouble in the clauses providing for an equal distribution of posts among Chinese and Russians, from the Board of Directors downwards.

¹ Cf. Fischer, Louis, *The Soviets in World Affairs*, p. 549.

² Cf. Young, G. Walter, *The International Relations of Manchuria*.

'To manage a railway of one Government is difficult enough,' wrote C. C. Wang, the first Chinese Director-General of the C.E.R.; 'to manage a railway of two nations with five directors each, Chinese directors speaking little Russian and Soviet directors understanding no Chinese, is atrocious.'¹ In fact so it was. From the beginning friction disturbed the joint administration. The agreements stated that all disputes were to be settled by the two Governments. There was no indication, however, of the mode of procedure to be followed. 'It was soon clear that governments could have different views of settling matters. China suggested arbitration by neutral experts, but the Soviets were so opposed to interference of nationals of the imperialistic nations that the proposal was finally dropped.'² Then there was the question of the quorum. The agreement ruled that 'seven persons shall constitute a quorum and all decisions of the Board of Directors shall have the consent of not less than six persons before they can be carried out'. The agreement, however, made no provision for cases when there was no quorum, as very frequently happened owing to the absence of the Russian directors. This meant another *impasse*. In spite of an express ruling to the contrary in the original agreements, the net profits of the railway have been annually divided between the Soviet and Chinese partners since 1924, according to a subsequent arrangement signed by the Board of Managers in December 1924,³ and justified by them by the principle of equal participation in the affairs of the line, laid down by the Mukden and Peking pacts.

The 1924 agreements were, as explicitly stated, only provisional, and looked forward to a Sino-Soviet Conference which would settle many outstanding problems connected with the C.E.R. For several years the political relations between China and the U.S.S.R. were too strained to think of holding any such conference to advantage. On the other hand, the temporary agreement was yielding too handsome profits in valuta to the Soviet Government for the latter to

¹ Cf. Wang, C. C., 'The Sale of the Chinese Eastern Railway', *Foreign Affairs*, New York, Oct. 1933.

² *Ibid.*

³ Cf. Fischer, Louis, *The Soviets in World Affairs*, p. 549; Wang, C. C., 'The Sale of the C.E.R.' *Foreign Affairs*, *op. cit.*

have any direct interest in precipitating a railway conference.

In 1926 the old difficulty concerning Russian navigation rights on the Sungari river cropped up again. The Manchurian authorities arbitrarily closed the Shipping Department of the C.E.R. and seized the Russian boats and barges on the river.¹ A far more serious incident occurred in July 1929, when Chang Hsueh-liang's agents seized the C.E.R., arrested the Soviet manager and officials on the line, and took complete control of the central offices of the C.E.R. in Harbin. In reply to Karachan's protest in the name of the Soviet Government, the Chinese replied that the Soviet authorities had broken the 1924 agreements by engaging in subversive propaganda. The Chinese occupation of the line continued. Whereupon the Soviet Government, having sent an unsuccessful ultimatum to China to release the Soviet prisoners, lost no time in handing the Chinese chargé d'affaires in Moscow his passports and broke off diplomatic relations with China. China immediately issued a manifesto to the Powers stating that the Soviet Government had repudiated its declarations of 1919 and 1920, promising to return the railway to China, and had broken the 1924 agreements in respect of the management of the railway. All responsibility for the suspension of communication between the Trans-Siberian railway and the Far East was placed on the Soviet Government. The abusive language freely used in this exchange of notes between China and the U.S.S.R. was not even reminiscent of diplomacy. When China proposed that Chinese 'merchants' imprisoned in the U.S.S.R. should be set at liberty prior to the release of the Soviet prisoners, the Soviet Government replied that 'repressions in the U.S.S.R. were only applied against an insignificant group of spies, opium traders, den-keepers, smugglers and other criminal elements of the Chinese citizens', and openly charged China with 'hypocrisy'.

This abnormal state of affairs lasted till the end of the year. In December 1929 the Habarovsk Protocol² re-established the *status quo ante* on the C.E.R. in accordance with the Provisional Agreement of 1924 and restored her navigation rights on the

¹ Cf. *China Year Book*, 1926.

² Cf. Appendix VIII (F) for text.

Sungari to Russia. It was also at last agreed that a conference should immediately be called to discuss:

- (1) The C.E.R.
- (2) Sino-Soviet trade.
- (3) Resumption of diplomatic relations between China and the U.S.S.R.

This conference began its sessions in spring 1930 in Moscow. It continued with many interruptions and quite abortively until the Japanese occupation of Manchuria cut the ground of discussion, so to speak, from under its feet. The Chinese wanted to place the question of the purchase of the C.E.R. at the head of the agenda of the conference, but alleged that the Soviet delegation used every pretext to postpone this issue, preferring to discuss the administration of the railway instead. Thus months were wasted arguing this question of procedure and nothing was accomplished before the conference dissolved.

The Chinese Eastern Railway issue since 1931

During the first months following the Japanese occupation of North Manchuria and Harbin the relations with the Soviet management of the C.E.R. were surprisingly harmonious. The railway continued to carry Japanese troops and war material (as it had Chinese formerly) on credit, though the Soviet press in Moscow was vocally anti-Japanese. Following the proclamation of the State of Manchukuo in March 1932, one incident after another in the vicinity of the railway, and ascribed by the Soviet Government without hesitation to Japan, gradually brought the two Governments into a state of violent hostility. Attacks by armed bandits on the line were constantly reported in the Soviet press,¹ in spite of Japan's having guaranteed the inviolability of the C.E.R. in March 1932. Soviet employees on the C.E.R. and in the Soviet trade agencies were arrested, and according to the Report of the Soviet Consul-General in Harbin maltreated in jail by 'White Russians'.² Be that as it may, the atmosphere was full of uneasiness and the mobilization of forces on both sides of the Russo-Manchurian frontier in 1932-3 seemed to forebode serious trouble.

¹ Cf. File of *Izvestiya*, Jan.-July 1932.

² Cf. *Russland und Asien*, 5.v.1932.

For years the economic supremacy of the C.E.R. in Northern Manchuria had been threatened by Japan's railway building plans. Now, having made herself mistress of the political situation, she could continue her building without fear of protest from either the Chinese or the Russians. Already a branch line intersected the C.E.R. at Angangchi, and others were planned to divert traffic, at various important points, southwards to the Southern Manchurian Railway.¹ Japan was heavily indebted to the C.E.R. for troop transport and showed no disposition to pay. Every month brought some new story of damage to the C.E.R. All of which meant that its financial position was being steadily undermined. There could be no doubt at this stage of Japan's deliberate intention to squeeze the Russian partner out of the C.E.R.

In May 1933 the Soviet Government, not being prepared to fight for its rights, bowed to the inevitable and offered to sell the C.E.R. to Japan. In so doing it cut through all the legal aspects of China's contractual rights in the C.E.R. and eventually agreed to open negotiations formally not with Japan (who insisted on the alternative procedure) but with the *de facto* government of Manchuria, i.e. the Government of Manchukuo, in *Tokio*. In an interview given by Maxim Litvinov to *Tass* in May 1933 for foreign consumption, the Soviet Commissar for Foreign Affairs attempted to show this action of his Government in the most favourable light.

'The line', he declared, 'was built with the hard-earned savings of the peoples of the Soviet Union and therefore the Soviet Government deems itself bound to protect its property in the line. It was always ready to sell the line to China, but the latter had not the means of buying it. The Soviet Government maintains its ownership of the line intact, but has transformed it into a purely commercial institution, and in consideration of the fact that it traverses foreign territory, deems it just that the Sovereign of that territory should have an equal share in the administration and be appropriated half of the profits. Nevertheless, the C.E.R. became a source of friction between the U.S.S.R., China, and Manchuria. Everybody is familiar with the conflict which arose in 1929 (not through the fault of the U.S.S.R.). In order to remove the source

¹ Cf. railway map of Manchuria facing page 66.

of conflict the Soviet Government conducted negotiations with the Mukden and Nanking Governments. These negotiations were interrupted by the events of autumn 1931 in Manchuria. Now the question of the sale of the C.E.R. has once more been taken up. Our proposal is a new evidence of our love of peace. I am convinced that only those who for one reason or another are anxious to perpetuate strained relations between the U.S.S.R. and Japan and the U.S.S.R. and Manchuria could view this offer with hostility.¹

In such meretricious words Litvinov announced the ignominious exit of the once all-powerful Russia from Manchuria. His contention that the line was built with the savings of the Russian people, and as such is the inalienable property of Russia, has no foundation in fact. The early financial history of the C.E.R. is so complicated that 'it would puzzle the head of a Solomon to know to whom the railway belongs',² but the Russian people certainly did not pay for it. Owing to the heavy borrowing abroad of the Imperial Government to meet its liabilities in connexion with the C.E.R. and the fact that the majority of the shares of the Russo-Chinese Bank (which owned all the shares of the C.E.R.) were in French hands, many different entities from foreign banking groups to French peasants regard themselves as its creditors, however weak their formal legal rights may be.

The original sale price demanded for the C.E.R. by the Soviet Government was 250,000,000 gold roubles or 650,000,000 yen, on the basis of the cost of construction and actual value of the railway lands and property. The Manchukuo Delegation refused to proceed on this basis of estimation and contended that the sale price must be fixed according to the present value of the line—which under the actual circumstances was, of course, greatly to its advantage—and offered 50,000,000 yen. The attitude of the Manchukuo *qua* Japanese Delegation was expressed in a long statement presented at the sixth Session of the Conference (August 4, 1933).³

¹ *Sowjetwirtschaft und Ausserhandel*, May 1933.

² Cf. *Contemporary Japan*, Sept. 1933, 'The C.E.R. problem', by Sadaye Eguchi, former Vice-President of the S.M.R.

³ For text cf. Appendix VIII (h).

Here it was made quite clear that the actual earning power of the railway and nothing else would be accepted by Tokio as a basis for bargaining. It was also blandly hinted that no effort would be spared to reduce its real value, until such time as the Soviet Government would accept the terms offered in the name of Manchukuo:

'As long as the North Manchurian Railway¹ is left in the present circumstances, difficulties will continue to multiply rather than to decrease. Indeed, it is generally feared that even if the recurrence of untoward incidents should be checked, the completion of the Manchukuo railway system will cause a further dwindling of the profits of the N.M.R. and that in a year or two the railway will find it impossible to balance income with expenditure.'

On May 31 a decree of the Ministry of Communications of Manchukuo² suspended direct transit of freight cars between Pogranchnaya on the eastern section of the C.E.R. and the Ussuri railway, through traffic from Manchukuo on the western end of the C.E.R. having already been suspended on April 8. The reason alleged for this measure was 'that enormous quantities of rolling stock, including locomotives and other property of the railway, have been shifted one-sidedly over an unreasonably long period of time or taken out of Manchukuo without notice'. The Russians, on the other side, asserted that a still larger quantity of Russian rolling stock was being held up on the C.E.R. itself. Throughout the autumn of 1933 the Soviet staff of the C.E.R. and the line itself were subject to a series of attacks, while the negotiations in Tokio seemed to have reached a deadlock. In September 1933 *Rosta* reported the unpaid indebtedness of Japan to the railway for military transport as 30 million yen and that the Japanese authorities in Manchuria were doing all in their power to deteriorate the financial position of the C.E.R.³ On September 25 a number of responsible Soviet railway officials were arrested on various charges and replaced by Manchurian

¹ In a statement issued by the Communications Minister of Manchukuo in June 1933 it was announced that the C.E.R. would henceforth be known as the North Manchurian Railway. Cf. Dept. of Information, Hsinking, Bulletin 66.

² Bulletin 66, Department of Information, Hsinking, op. cit.

³ Cf. *Deutsche Allgemeine Zeitung*, 13.xii.1933.

subjects. (They were kept in jail till February 1934.) A few weeks later, on October 9, *Pravda* and *Izvestiya* triumphantly published documents procured by *Tass*, and purporting to prove a well-laid Japanese plot to seize the C.E.R., if necessary by force. It matters little that these documents were later denounced as forgeries by the Japanese Minister of Foreign Affairs. A climax seemed reached in the C.E.R. affairs in December 1933, when a Manchurian Acting Manager of the line was appointed 'to share the authority' of M. Rudy, the Russian manager, in direct violation of the railway statutes.

Meanwhile the business of selling the C.E.R. had made little progress in Tokio. The Soviet Delegation had brought the sale price down to 200 million gold roubles in August, and then broke off the negotiations after the arrest of the Soviet officials of the C.E.R. in September, making their release a condition of resumption. The situation on the C.E.R. grew worse and worse. It was the subject of much plain speaking at the Communist Party Congress in January 1934, when Stalin, Litvinov, and Molotov charged Japan with deliberate sabotage of the railway and military preparations against the U.S.S.R.¹ 'When negotiations opened', declared Litvinov, 'it was clear that Japan didn't want to buy the railway, but to receive it for nothing. The entire railway was built with the blood money of the peoples of the Union, thus constituting their inalienable property.' Negotiations were only renewed in February 1934, after the release of the Soviet railway officials arrested in September 1933.² The Soviet price was reduced still further to 67½ million gold roubles, i.e. half the price formerly demanded.³ The Manchurian Delegation responded by raising its offer to 100 million yen (of which 30 million yen should be reserved for compensation for the discharged Russian staff). So backwards and forwards the offers swayed until it was announced from Tokio in September 1934 that the line had been sold for 170 million yen, including compensation for the Soviet employees.

¹ Cf. *Izvestiya*, 23.1.1934.

² Cf. *Pravda*, 18.iii.1934: 'Five Years in a Harbin Jail.'*

³ Cf. *Sowjetwirtschaft und Aussenhandel*, 16.viii.1934.

As far as information is now available the main points of the terms agreed upon for the sale of the C.E.R. may be tentatively summarized as follows:¹

(1) Price: 140,000,000 yen to cover the C.E.R. and all the property appertaining to the railway. In addition to this, a sum of 30,000,000 yen (officially, 15,000,000 Harbin roubles) shall be paid by Manchukuo as a retiring fund for the Soviet employees of the railway. That is, the total amount to be paid by Manchukuo shall be 170,000,000 yen.

(2) Terms of Transaction:

(a) Two-thirds of the price of transfer shall be paid in kind and the remaining one-third shall be paid in cash within a period of three years. The payment in kind shall be made in four instalments, while the cash payment shall be made in three instalments, provided that the first cash instalment shall be paid simultaneously with the signing of the agreement.

(b) As for the guarantee of payment by Japan, requested by Soviet Russia and which the Japanese Government refuse to give on the ground that they are not in a position to guarantee payment of a third country, negotiations are under way on the basis of the suggestions made by Japan as follows: That (1) the Manchukuo Government conclude a contract of credit with a syndicate of Japanese banks; (2) such a syndicate to pay cash to Soviet Russia on order of the Manchukuo Government and also to pay the required amounts for Soviet Russia to purchase goods in Japan within the purview of the contract for the transfer of the C.E.R.²

(c) With regard to the payment in kind, no particular categories of goods shall be stipulated for purchase by Soviet Russia, nor shall any group of exporters be appointed for the purpose.

(d) When dismissing Soviet employees, a notice of three

¹ Cf. *Contemporary Japan*, Dec. 1934: 'The C.E.R. Negotiations', by Ayayoshi Takeuchi, from which this summary is reproduced.

² It was later announced that the Manchurian Board of Affairs in Tokio have arranged to raise the 170,000,000 yen required in the form of Manchukuo national bonds, to be underwritten by a Japanese Banking Syndicate. (Cf. *Manchurian Month.*, March 1935.)

months shall be given and the retiring bonus shall be paid within a period of three years.

- (e) The C.E.R. and all the property appertaining to it shall be transferred to Manchukuo on the completion of the first instalment of the cash payment.
- (f) Manchukuo shall complete the procedure to take over the C.E.R. within three months after the signing of the agreement.
- (g) A gold clause to provide against fluctuations in the exchange rate of the yen and stipulations for the traffic connexion between the Ussuri and Siberian railways and the C.E.R. shall also be included in the terms of the transaction.

Though the amount of the purchase money was definitely settled in September 1934, many details connected with the sale agreement were still being hotly debated in Spring 1935.¹

In the transfer of rights over the C.E.R. the Japanese have won outright on almost every point. They interpreted at their pleasure all the treaties and agreements in respect of the railway concluded with China since 1896, and for the most part forced the U.S.S.R. to acquiesce in their casuistry. In the long run Russia could not have maintained the C.E.R. either economically or formally against their opposition. Now incorporated in the State railway system of Manchukuo under the general administration of the S.M.R., for the first time in its history it will be possible to regard the C.E.R. as a 'purely commercial enterprise'. As such it will no doubt make handsome profits for its new sponsors and give the best service to Manchuria.

Economic Aspects of the C.E.R.

Commercial policy of Imperial Russia and the C.E.R. Economic considerations scarcely entered into the original Russian plan to build the C.E.R. across the track which it eventually fol-

¹ Since the manuscript went to the printer, the C.E.R. Sale Agreement was finally signed on March 23, 1935, in Tokio. (For Text cf. Appendix VIII (I).) In the last act of these negotiations Soviet diplomacy scored a decided victory by obtaining an official guarantee from the Japanese Government for the C.E.R. purchase money: a guarantee absolutely refused by Japan when first mooted by the U.S.S.R. (cf. *Izvestiya*, 24.iii.1935).

lowed. The route through North Manchuria was chosen as the shortest outlet for the Trans-Siberian Railway from Transbaikalia to the sea, and there is no evidence that any preliminary economic survey of the areas of North Manchuria through which it would pass was in the first instance made.¹ The rich agricultural possibilities of this country were only subsequently discovered. And then colonization and development rapidly followed. The market for all kinds of manufactured goods which grew up with the new towns and settlements and the development of Manchurian exports soon led Russia to adopt a definite economic policy in respect of the C.E.R. and of its tariffs in particular. The freight tariffs were not established in the interest of local industry, but with two main objectives: (a) the control of the Manchurian market for manufactured goods exclusively by Russia; (b) the orientation of Manchurian exports via the Ussuri railway and the Russian port of Vladivostok rather than southwards via Dairen. The railway tariffs on the C.E.R. were therefore deliberately scaled to promote these Russian interests. Manufactured products in through traffic between Russia and Manchuria were subject to a tariff seven to eight times lower than the local tariffs, to which goods of local origin or foreign products imported via ocean ports were subject. Thus the cost of freight from Moscow to Harbin, a distance of 4,694 miles, was practically the same as between Harbin and Dairen, 592 miles.²

In spite of this imperialistic tariff system, Russian imports to Manchuria in 1913 only occupied a very modest place in the total list of imports. On the other hand, the policy of attracting Manchurian exports to Vladivostok had succeeded admirably, and over 80 per cent. of the exports moved that way in 1913.

As a result of the heavy financial charges arising out of the administration of the railway zone and many extraneous activities entirely unconnected with operating expenditure, the C.E.R. showed a large annual deficit during all the pre-War period from 1903 to 1915, which was regularly covered,

¹ Cf. *North Manchuria and the C.E.R.*, op. cit., p. 398.

² Cf. *North Manchuria and the C.E.R.*, op. cit.

in accordance with the Railway Statutes, by the Imperial Treasury.

The post-War period. Before the Soviet Government assumed control of the C.E.R. in 1924, the commercial and tariff policy of the line had undergone a radical transformation as a result of the Supplementary Agreement of 1920 between the Russo-Asiatic Bank and China. A serious effort had been made to study the needs of the country and to make tariffs conform with them, rather than with the interests of Russia as formerly. The preferential rates for Russian goods were abolished and many former administrative expenses in connexion with the railway zone cut out of the railway budget. Large sums had, however, still to be disbursed to pay (in one way or another) for the very inadequate Chinese administrative and judicial institutions and especially for the maintenance of Chinese police guards. All of which amounted to not less than 4 million dollars in 1923.¹ Nevertheless, for the first time in the history of the railway, in 1920-2, the operating profit not only covered the deficit on the special estimates but also yielded a considerable additional profit.² These special estimates had long been the stumbling-block to financial equilibrium in the railway budget. The indebtedness to the Imperial Government, in connexion with the constant deficit on these estimates since the line was opened, has been calculated to have amounted to not less than 400,000,000 gold roubles in 1917.

The economic future of the C.E.R. seemed bright in 1921, if only its normal operation could be ensured by peaceful political conditions both in Manchuria itself and on the Russo-Manchurian frontier. The line passed through rich belts of grain, forests of fine timber, and wide stretches of pasture, all of which were being more and more actively developed. Manchurian exports, beans and bean products, wheat, lumber, and furs had established themselves very

¹ Cf. *North Manchuria and the C.E.R.*, op. cit.

² Cf. *China Year Book*, 1923. The so-called special estimates included not only the Sungari River Steamship Service but also the expenses incurred by the Company in connexion with the settlements along the line, including the city of Harbin, maintenance of schools, churches, hospitals, &c., the Chinese Diplomatic Bureau at Harbin, railway guards, pensions, &c.

rapidly on the world markets, and this trade meant increasing freight and revenue for the C.E.R.

Total freight carried by the C.E.R.¹

(In thousand tons)

1909	923	1923	2,762
1912	1,130	1927	4,899
1917	2,006	1929	5,606
1921	2,013		

Quantities of Grain shipped from all stations on the C.E.R.²

(In thousand tons)

	1903	1909	1913	1918	1921	1923
Local shipments	106	66	92	182	116	240
Export	6	342	478	563	1,215	1,502
Total	112	408	570	745	1,331	1,742

On the debit side must be recorded the adverse influence on the fortunes of the C.E.R. of events in Russia since the Revolution. First came the collapse of the rouble in 1918, leaving the C.E.R. in possession of enormous quantities of worthless paper and producing a financial crisis towards the end of 1920. The railway also suffered considerable losses owing to the decline in goods traffic with Russia during and after the Revolution. The stringent import policy of the Soviet Government and the reduced purchasing power of the Russian people gradually restricted imports to Transbaikalia and beyond, via the C.E.R., to the minimum.

Dairen and the C.E.R. The post-War history of the C.E.R. is to a large extent inseparable from the parallel history of the efforts of the Japanese to divert the North Manchurian goods traffic southwards over the S.M.R. and Dairen.

Since the immediate pre-War years Dairen has come to predominate more and more in the transport of North Manchurian imports and exports. The greater quantity of these imports already arrived via Dairen in 1913, when exports moved preponderatingly via the C.E.R. and Vladivostok.

¹ Cf. *Manchuria Year Book*, 1931.

² Cf. *North Manchuria and the C.E.R.*, op. cit., p. 8.

Eventually Dairen's share of North Manchurian exports also greatly increased, owing to the difficulties experienced by shippers in Vladivostok after the Revolution. The port facilities were neglected, and there was general dissatisfaction regarding business and loading arrangements. By 1923, 23 per cent. of the total exports of North Manchuria carried by the C.E.R. moved to the S.M.R. and Dairen, whereby they were finally lost to the eastern section of the C.E.R. This percentage has gradually increased.

Exports of North Manchuria, indicating border station of arrival¹

(In thousands of tons)

Year	To Ussuri railway	To S.M.R.	To T. Baikal	Total
1913 . .	462.7	70.6	48.5	581.8
1915 . .	585	171.7	41.7	798.4
1920 . .	120.7	801.9	83.6	1,006.2
1923 . .	716.1	1,054.6	23.8	1,794.5

Imports into North Manchuria, indicating border points of origin²

(In thousands of tons)

Year	From Ussuri railway	From S.M.R.	From T. Baikal	Total
1913 . .	70.1	175.9	33.3	279.3
1915 . .	55.3	234.2	31.8	321.3
1920 . .	62.1	269.8	17.4	349.3
1923 . .	45.6	396.2	7.8	449.6

As a result of this constant diversion of export freight traffic from the C.E.R. and Vladivostok, the eastern branch of the railway from Harbin to Pogradichnaya, a distance of 340 miles, at times almost ceased work.

The C.E.R. endeavoured to maintain its position by keeping the freight tariffs on the southern section to Changchun much higher than on the eastern. Many attempts were also made at the annual Railway Conference at Changchun to come to some satisfactory compensatory agreement with the Japanese, with regard to this vital question of tariffs and the transport of North Manchurian exports. It was all to little

¹ Cf. *North Manchuria and the C.E.R.*, op. cit.

² Cf. *Ibid.*

avail as far as the C.E.R. was concerned. These exports have continued to move southwards:

Movement of Freight on the C.E.R.¹

(In thousands m. tons)

	<i>Exports via Pogranichnaya</i>	<i>Via Kuanchentze (Changchun)</i>
1928-9	1,261	1,875
1929-30	956	1,865
1930-1	1,315	999
1931-2	843	1,210
1932-3	206	952
1933	232	713

As a result of the disturbed conditions in Manchuria and also of the very heavy slump in the world markets for beans, the chief Manchurian export, the commercial operations of the C.E.R. have greatly contracted in recent years, as the following table shows:

Total freight carried by the C.E.R. 1925-33²

(In tons)

1925	3,306,025	1931	3,240,000
1929	5,605,689	1932	2,511,000
1930	3,656,580	1933	2,313,000

A more redoubtable threat to the prosperity of the C.E.R. than the southwards trend of North Manchurian exports was gradually revealed in the various Japanese plans either to build themselves or to finance railways cutting right through fertile grain and timber areas formerly served by the C.E.R. alone.³ As things were originally, even North Manchurian exports eventually destined for shipment from Dairen were carried by the C.E.R., from Harbin to Changchun, i.e. 150 miles. In other words, the Japanese lines or the S.M.R. system did not touch the northern sector of the C.E.R. until a few years ago. Now one of the new Japanese financed lines—the Taonan-Angangchi—makes it possible to tap the traffic west of the fertile wheat region of Anta, between Angangchi

¹ Cf. *Vestnik Manchurii*, Nos. 14-15, 18-19, 1933: 'Freight carried by C.E.R.'

² Cf. *Vestnik Manchurii*, op. cit.

³ Cf. Young, C. Walter, *Economic Bases for New Railways in Manchuria*.

and Harbin, on the C.E.R.¹ Another line, the Ki-Ka, from Kirin to Kainei on the Korean frontier, has now been continued to the new port of Seishin. It runs parallel to the Ussuri line through the rich and varied resources of Kirin. Moreover, 'in this line the Japanese will have a new means of access to Harbin, the principal trade mart of North Manchuria; and a route from that important centre to Japan, which is much shorter than by way of Dairen. Few parts of Manchuria present such opportunities of industrial development as Kirin province, for there are rich plains, coal, aluminium, gold and copper.'²

The enumeration of these unfavourable factors in the latter-day history of the C.E.R. may tend to obscure one very important fact. Since 1922 (up to and including 1933), in spite of the military operations and the entirely abnormal circumstances of the year 1932-3, the C.E.R. has been able to show a creditable profit on the working budget and largely increased its receipts up to 1930.³

(In gold roubles)

	Total receipts	Operating expenditure
1922 . . .	39,410,434	31,460,774
1925 . . .	37,474,568	21,875,833
1929 . . .	70,255,650	32,764,198
1930 . . .	52,580,100	..

The figures for 1933 as given by *Izvestiya* and *Pravda* vary considerably. As they were produced during the Tokio negotiations to justify the sale price demanded by the Soviet Government, both are probably considerably exaggerated:

(In gold roubles)

Total Receipts	Operating Expenses	Profit
30,158,000	18,400,000	11,500,000
35,873,346	16,084,611	(<i>Pravda</i> , i.iii.1933)
Total expenses of the C.E.R.	23,733,324	(<i>Izvestiya</i> , 8.iv.1933)

¹ Cf. railway map facing page 66.

² Cf. Young, C. Walter, 'Railway Politics in Manchuria', *China Weekly Review*, i.iv.1927.

³ Cf. *Manchuria Year Book*, 1931.

That any profit could be made by the C.E.R. in 1933, in view of its troubled record of :¹

38 armed attacks on trains;

10 acts of incendiarism;

197 attacks on officials;

60 murders;

97 wounded;

400 imprisoned;

and the prohibition issued to Manchurian Banks to pay C.E.R. cheques, the retention of its bank deposits, and the non-payment of the Japanese Military Command's indebtedness to it for troop transport,² proves the solid economic foundations of the C.E.R.

¹ Cf. *Izvestiya*, 8.i.1934.

² Cf. *Pravda*, 1.iii.1934.

V

SOVIET ECONOMIC RELATIONS WITH INDIA, WITH A NOTE ON SOVIET TRADE WITH THE PACIFIC TROPICS

RUSSIAN trade with India is (and always has been) an unimportant matter for either country. Oil products, sugar, textiles, the chief exports from the U.S.S.R. to India's neighbours, Persia and Afghanistan, are in India faced by strong competition from the home industries, which has already practically killed imports of Soviet sugar.

There is no official Soviet trade representation in India, and the lack of such machinery handicaps the development of trade in many ways. On this account various articles of Russian origin reach India falsely identified, it is asserted, in the process of trans-shipment,¹ with a view to facilitating sale in India. Another factor which makes the estimation of Russo-Indian trade at the best approximately accurate is that Russia has long been accustomed to buying Indian products from agents in England.

The chief Indian goods in which the U.S.S.R. is interested are tea, jute (raw and manufactured in gunny bags, rope, and twine), and occasionally rice. Tea and rice happen to be commodities selected for special attention in the Soviet Five-Year Plans. In the case of tea the progress made in Russian production has already considerably affected imports both from China and India. Very much less success has attended the Soviet plan to extend the rice plantations till the Soviet Union can dispense with imported rice.

It cannot be said that Russo-Indian trade has either greatly expanded or diminished in the last five years. It has rather been subject to a series of fluctuations, sometimes on the side of Soviet exports, sometimes on that of imports from India to the U.S.S.R. The balance of trade since 1930 has been

¹ Cf. *Conditions and Prospects of U.K. trade in India, 1932-3*, p. 95. There are reasons to believe that many Russian products are marketed by German merchants and exported from Hamburg to India.

favourable to the U.S.S.R. owing to the increasing imports of Soviet oil products and the decline in exports of Indian tea and jute to the U.S.S.R.

Russo-Indian Trade, 1929-33¹

(In thousands of roubles)

	1929	1930	1931	1932	1933
Soviet exports to India	5,099	6,779	10,152	5,219	3,241
Per cent. of total Soviet exports	0.9	0.6	1.3	0.9	0.7
Soviet imports from India	28,216	18,317	9,140	5,184	2,935
Per cent. of total Soviet imports	3.2	1.7	0.8	0.7	0.8

Imports from India to the U.S.S.R. Tea is far the most valuable import from India to the U.S.S.R., and India is second after China on the list of countries importing tea to the U.S.S.R. In general, Russia has greatly reduced her imports of tea in the post-Revolution period. As a result India has been proportionately less heavily hit than China, as may be seen from the following table,² showing the quantity of tea imported by Russia in 1913 and in recent years:

Imports of tea to Russia, 1913-32

Country of origin	1913		1929		1931		1932	
	tons	th. rbls.	tons	th. rbls.	tons	th. rbls.	tons	th. rbls.
India	9,806	10,767	5,292	7,269	2,670	1,925	5,171	2,915
China	51,582	35,769	18,012	14,146	11,597	5,438	5,968	2,634

Various attempts have been made by groups of Indian tea-growers to deal with Russia directly through the *Centrosoyuz* office in London, so as to cut out the British tea merchant or commission agent who has long had a substantial share of this trade in his hands. Another noticeable change in this business is the growing tendency to export tea directly from India to the U.S.S.R. The statistics in the next table show that whereas in 1928-9 the re-exports of Indian tea from Great Britain to the U.S.S.R. exceeded by more than a million pounds the direct exports, in 1930-1 the direct exports far outstripped the

¹ Cf. *Vnashnaia Torgovlia* for respective years. Percentages taken from *International Trade Statistics*, 1930, 1931-2, 1933, op. cit.

² Cf. *Vnashnaia Torgovlia*, op. cit.

re-exports from the United Kingdom. In 1931-2 direct exports and re-exports almost balanced. This is not so significant as that a new and probably enduring orientation has been given to this trade.

Table showing direct exports of tea from India to the U.S.S.R. and re-exports from the United Kingdom¹

(In million lb.)

	1928-9	1929-30	1930-1	1931-2
Direct exports	4.1	5.3	6.2	3.5
Re-exports from U.K.	5.3	9.6	4.9	3.8
Total	9.4	14.9	11.1	7.3

As a buyer Russia has nothing like the same importance on the Indian market as on the Chinese. Her importance has also greatly decreased since pre-War years, when in 1913, for example, 11.1 per cent. of the tea exported from India was destined for Russia.² This percentage had fallen to 0.7 per cent. in 1931-2.

The new Russian tea plantations in Georgia—one of the most practical and successful innovations of the Soviet agricultural Five-Year Plans, are producing the Indian variety of tea, though Russian national taste has always preferred Chinese. There are now 35,000 ha. under tea in the Soviet Union and twenty-one tea factories with an annual production of 6,000 kg. or one-fifth of the total consumption of the Soviet Union.³ It is hoped to extend this area to 100,000 ha. by the end of the second Five-Year Plan period, i.e. in 1937. As Georgia is excellently adapted from every point of view for tea-growing, there seems no reason why Russia in the course of time (though probably not planned time) should not be self-sufficient in tea.

Indian jute and jute products have in certain years successfully competed with tea for first place in the Indian exports to the U.S.S.R. Nevertheless, these exports of raw and manufactured jute to Russia are relatively unimportant for the Indian trade. In 1931-2, for example, when jute headed the

¹ Cf. *Review of the Trade of India, 1930-3.*

² *Ibid.*

³ Cf. *Wirtschaftsdienst, 26.x.1934.*

list of exports to the U.S.S.R. in value, raw jute exported to the U.S.S.R. formed less than $\frac{1}{2}$ per cent. and gunny bags, &c., 3 per cent. of the total exports of these commodities from India. As jute is conspicuously absent from the heterogeneous list of industrial plants now being so energetically produced in the Soviet Union and does not figure in any of the Five-Year Plan statistics, it may be presumed that exports of jute from India to the U.S.S.R. have a safer future than anything else, unless the Soviet Government transfers its patronage more heavily to Dundee or runs short of valuta to pay the bill.

Russia never bought much rice in India. Her main source of supply both before and after the Revolution has always been Persia. Imports of Indian rice to the U.S.S.R. are, however, considerably smaller and more spasmodic than pre-War. None was imported directly in 1930-2. Russia reappeared as a buyer on the Indian rice market in 1933 and bought 1,000 tons of rice. The reason for this step probably was that owing to political difficulties Russia's imports of rice from Persia fell to less than a ninth of their usual volume in 1933, and she had to make good the deficit elsewhere.

Imports of Indian Rice to Russia¹

(In tons)

1913	1929	1930	1931	1932	1933
6,118	1,076	(4,800)	(2,059)	(2,079)	1,000

Exports from India to the U.S.S.R.²

(In thousands of rupees)

	1928-9	1931-2	1932-3
Raw jute . . . . .	..	520,423	18,879
Jute, gunny bags	6,000	3,025,435	1,514,138
Jute, ropes and twine	13,500	..	..
Black tea	2,371,548	1,699,350	1,365,353
Cotton twist and yarn	9,750	..	4,280
Rice	4,757	126,914	327,553
Various goods	5,085	..	107,160
Total (including goods not listed above)	2,490,742	5,547,580	3,406,773

¹ The statistics in brackets are found in the official Indian publication: *Statement of the Sea-borne Trade of British India with the British Empire and Foreign Countries*. The rest are taken from *Vnashniiaia Torgovlia*, op. cit.

² Cf. *Statement of the Sea-borne Trade of British India*, op. cit.

Soviet exports to India. The most valuable and promising item in the Soviet export trade with India is petroleum, i.e. crude oil, kerosene, and petrol. Prior to 1932 Russian oil products were either imported into India by the Russian Oil Products Co., of London, or marketed as American by Socony. Since 1927 Socony has concluded several important contracts with the Naphtha Syndicate, primarily for the purpose of supplying the Indian market. Under the circumstances it is not possible to ascertain exactly how much of this Russian oil was actually sold in India by the Standard Oil Co.¹

In 1913 imports of Russian kerosene represented 2 per cent. of the total Indian imports of this commodity and Russia was last on the list of importing countries. By 1929-30 the position of Russian kerosene on the Indian market had entirely changed. Thirty-four per cent. of the kerosene imported by India was Russian, and in 1930-1 Russia supplied 12½ per cent. of all the oil products imported.² Russia is now the largest exporter of kerosene to India. Kerosene also greatly exceeds in value and quantity the other Russian oil products on the Indian market. It has thus won for itself a place well above that held by the Anglo-Dutch and American competing companies.

In 1928 the Burma Oil Co. announced that it intended to bring the question of the dumping of Russian oil products in India before the Indian Tariff Board. The Board duly considered the case, which caused a strong divergence of opinion among its members and came to the unexpected conclusion that it was Shell and not the Russians which had started the price war.

An important development in the Russian oil trade with India was the establishment in 1932 of the Western India Oil Distributing Co. This company was founded with the object of importing and distributing Russian petroleum products throughout India. It rapidly extended its sphere of operations and equipment and was formed into a joint stock

¹ Cf. Hoffmann, Carl: 'Die Russische Erdölfrage in der Politik', *Zeitschrift für Politik*, 1930.

² Cf. Studies in World Economy, Carnegie Endowment for International Peace: *International Competition in the Trade of India, 1931*; *Review of the Trade of India, 1929-33*.

company with a capital of Rs. 50,000,000 in December 1932. The company has erected a million-gallon-capacity tank for petrol at Wadala (Bombay) and another of the same capacity for fuel oil at Wadi Bunder. They have also put up a tin-making factory at their petrol installation in Bombay. At Madras, two tanks of one million gallons capacity each for fuel, and a third tank of the same capacity with all the necessary equipment for office and filling-shed buildings are nearing completion. They have purchased two tanks of two million gallons capacity and seventeen minor installations capable of taking in fuel oil at Calcutta; and one tank of this capacity at Chittagong. The activities of this Western India Oil Distributing Co. have led to a general fall in oil prices in India, which is described by the other big competing groups as 'most un-economic'. This success has been achieved in spite of the fact that in India, as in markets much nearer home like North Persia, the Soviet distribution system frequently breaks down and the local agent for Soviet oil products some time or other finds himself short of supplies. This is invariably (especially in India) an immediate signal for the other oil companies to raise their prices.

Exports of Soviet Oil products to India¹

(In tons and thousand roubles)

1929		1930		1931		1932		1933	
tons	th. r.	tons	th. r.	tons	th. r.	tons	th. r.	tons	th. r.
150,056	5,099	202,872	6,126	149,088	4,380	191,425	4,415	176,425	3,337

Russia's exports of sugar to India have fallen rapidly and violently since 1931-2, when with 92,544 tons according to Soviet statistics and 66,912 tons according to Indian, they represented 13 per cent. of India's sugar imports. The Indian home production of sugar has increased enormously during the last few years, and has ousted larger importers than Russia from the market.² In 1932 imports of sugar from Russia only

¹ Cf. *Vneshniaia Torgovlia*, op. cit., for respective years mentioned.

² In 1930 sugar formed 5 per cent. of the total India imports with 623,000 tons. In 1933 this percentage had fallen to 2.7 per cent. and the tonnage to 310,000 tons. Cf. *International Trade Statistics*, op. cit.

amounted to 6,843 tons, and by 1933 they had fallen to nil.¹

Since 1927 tea-chests for the Indian tea trade have been regularly imported from the U.S.S.R. In number and value they greatly increased between 1927-8-30, only to decline steadily in recent years in favour of the other importing countries, Great Britain, Finland, and Esthonia.

Tentative efforts are frequently made to place other miscellaneous Russian products on the Indian market. In no case is the value or quantity of such items important, with the exception of soda and soda derivatives, e.g. bicarbonate of soda, caustic soda, sodium, sulphite, and sodium carbonate, which have now a fair share of the Indian market. Potential Soviet exports to India which are still undeveloped commercially are electric bulbs, beer, cement, tinned fish, white spirit.

The natural resources and industries of India and the U.S.S.R. are in many respects so akin that the question of intensive trade between them even under the most favourable circumstances is not likely to arise. Both are large grain, timber, and oil producing countries. Both are blessed with a rich variety of mineral wealth. Russia will soon be as self-sufficient in cotton as India in sugar, whereby each country automatically destroys a market for a major export of the other. In cases where their industrial production does not coincide, the products of the new Russian industries could in few cases attempt to compete against the high-quality imported goods to which India has long been accustomed.

If the Soviet Union succeeds in producing all the cotton, rice, and tea demanded by the second Five-Year Plan, even if the planned figures only materialize in ten or fifteen years, as is far more probable, it is likely that Russian trade with India will sooner or later be reduced to exports of oil products from the U.S.S.R. and imports of jute from India.

Apart from direct trade, the economic interests of Soviet Russia and India meet, and to a certain extent clash, in the adjacent countries of Afghanistan and Chinese Turkistan. Communications in both these cases favour the trade of the U.S.S.R., whose railways now extend to the western frontier

¹ Cf. *Vnashniia Torgovlia*, Dec. 1933.

of Chinese Turkistan and to Kushk on the Afghan frontier: Indian merchants and traders interested in trade with Chinese Turkistan must arrange for transport over the high and difficult passes of the Karakorum, which are only open for such traffic during a few months of the year. Business is thus restricted to a few commodities of relatively small bulk and considerable value, which can bear the heavy cost of transport. Far larger issues are involved in Afghanistan. Until recent years Soviet goods scarcely penetrated into the southern part of the country at all. All the trade was with India. Good motor roads traversing Afghanistan from north to south have facilitated the expansion of Soviet trade in this region, and Soviet sugar, textiles, glass and crockery, and a multitude of other wares may now be found in all the bazaars as far south as Peshawar. As no separate figures of the land-borne trade of India are published since 1925 by the Government of India, it is impossible to say how far this Soviet competition has affected British-Indian trade with Afghanistan. Judging by the annually increasing figures of Soviet exports, however, a considerable percentage of former British-Indian trade with Afghanistan must be now going to the U.S.S.R.

Note on Soviet Trade with the Pacific Tropics

East of India, through the Straits Settlements, the Dutch East Indies, Siam, and Indo-China, there is a hiatus in Soviet economic activities till the coast of China is reached. So much is this so, and so irregular are the trading relations of the Soviet Union with this area, that frequently one seeks in vain for even a mention of one or other of these countries in Soviet trade statistics. This does not mean, however, that the characteristic products of these tropical lands are unknown or unused in the U.S.S.R. It is only an indication, as a closer investigation shows, of the indirect nature of this trade. The mineral products of the Dutch East Indies and the Straits Settlements are for the most part bought by the U.S.S.R. on the international commodity exchanges of England, Germany, or Holland. Very much smaller quantities of rubber, tin, and copra are also shipped directly to the U.S.S.R. from the Straits Settlements and the Dutch colonies, and occasional

consignments of nickel, copper, and lead from the Straits Settlements. Since 1930 Russia has been buying increasingly large quantities of rubber directly from the Dutch East Indies. At the present time her largest imports of rubber are shipped from there and not from England as formerly.

Imports of rubber to the U.S.S.R.¹

(In tons)

<i>Chief countries of origin</i>	1913	1929	1930	1932	1933
England	4,079	2,059	1,691	273	5,806
India	1,474	7,078	3,941	2,737	2,157
Germany	3,029	118	344	31	24
Dutch colonies . .	..	153	5,484	19,785	27,401
Totals (including other importing countries)	12,761	12,827	16,408	30,569	31,270

Russia has greatly increased her imports of rubber since pre-War. The expansion of motor transport and the development of a large range of industrial requirements have trebled the consumption of rubber in the U.S.S.R. since the Revolution. In order to reduce these imports of foreign rubber the Soviet authorities have devoted special attention both to the home production of synthetic rubber and to the latex-bearing plants of Kazakstan and Turkistan. According to the second Five-Year Plan the production of synthetic rubber in the Soviet Union should be increased from 12,000 tons to 47,000 tons in 1937. It is also asserted that rubber is actually being extracted from the wild *Tau-Saygiz* plant in a specially equipped factory and that a number of plantations have been laid out. The cost of production of both these Russian varieties of rubber is still a dark secret of the Soviet Government, but it must be high.² It may be pointed out, however, that even if the ambitious results aimed at in the second Five-Year Plan are achieved by 1937, the U.S.S.R. will still have a long way to go so as to catch up on the increasing demand for raw material made by the home rubber industry.

Soviet exports have not penetrated the markets of the Dutch colonies or the Straits Settlements for obvious and practical

¹ Cf. *Vneshniaia Torgovlia*, op. cit.

² Cf. *Wirtschaftsdienst*, 26.x.1934.

reasons. In the first place these countries are themselves rich depositories of Russia's chief exports—oil, grain, timber, and sugar. Furthermore, as far as manufactured goods are concerned, the negative attitude of the Soviets is simply explained by the immediate presence of highly industrialized Japan. With the added handicap of long transport, Russia—in her present state of development—could not enter into economic competition with Japan in this area. That she is thinking of doing so in some future period is proved by the number of economic studies recently published in the U.S.S.R., in which the markets of the Pacific Tropics are carefully analysed in the interests of Soviet trade.¹ Such works always stress the advantages for Russia of buying tropical products, such as rubber or tin, directly from the country of origin, rather than through 'imperialistic middlemen' in Great Britain or Holland. A study of Soviet trade statistics does not, however, show that this policy has yet been put into general operation, except in regard to rubber (as referred to above), and to a lesser extent to tin.

Imports of tin to Russia²

(In tons)

<i>Chief countries of origin</i>	1913	1927-8	1930	1931	1932
England . . .	1,750	2,636	681	1,849	1,382
Germany . . .	1,868	1,848	159	145	276
Holland . . .	1,372	539	..	..	..
Singapore . . .	..	..	..	..	..
Straits Settlements, &c. . . . .	..	..	3,531	1,819	1,210
Totals (including other importing countries)	6,067	4,705	4,906	4,486	3,910

¹ Cf. Kunin, H., *Markets of the Pacific Tropics*.* *Vneshniaia Torgovlia*, 30.vi.33 and No. 16, Sept. '33, 'Trade Expansion of Japan in the Dutch East Indies'.

² Cf. *Vneshniaia Torgovlia* for respective years. *Idem* za period 1918-27-28, for 1913.

VI

SOVIET ECONOMIC RELATIONS WITH EGYPT

MANY economic and geographic factors would seem to render Egypt an ideal market for several important Soviet exports. From the Black Sea ports of Odessa and Batum, Donbas coal, wheaten and maize flour, sugar, textiles, and oil products can be conveniently shipped to Alexandria. The transport of timber from the Russian producing areas on the North Sea to Egypt is equally simple, if longer. All these commodities are in more or less degree imports of Egypt. This happy conjuncture for Russo-Egyptian trade does not, however, find its counterpart in the political relations between the two countries. And for this reason Soviet trade has had a very chequered course in Egypt.

Percentage of Egyptian imports taken by oil products, coal, timber, textiles, and flour¹

	1930	1931	1932	1933
Wheaten and maize flour	4.4	3.7	1.9	0.2
Fuel oil	0.6	0.7	0.9	1.0
Kerosene	2.2	1.8	2.6	2.9
Benzine	1.2	0.8	0.7	0.4
Other oils	1.7	1.7	3.2	3.1
Cotton piece goods	11.0	10.6	12.7	13.4
Other yarns and textiles	6.2	5.4	5.8	6.3
Coal	3.0	4.2	4.0	4.2
Wood for building, &c.	4.6	2.9	3.1	3.6

Since the first Soviet trading agency, *Textilimport*, was established in Alexandria in 1927, one question after another has given rise to friction with the Egyptian Government and with various sections of the Egyptian commercial community. In April 1929 one of the *Textilimport* staff was deported and the authorities refused to renew the visa of the chief Soviet agent, M. Alexis Vasilieff, a former Soviet Ambassador in Mongolia. In 1932 the offices of *Textilimport* were closed and a regular Soviet Trade Representation under

¹ Cf. *International Trade Statistics*, League of Nations, 1931-2, 1933.

the name of *Russtorg* was set up in its place. It seems to have been agreed originally between the two Governments that this Representation might only function in Egypt on condition that the Soviet Government increased its purchases of Egyptian cotton and that the driver of the Trade Commissioner's car should be provided by the Egyptian Department of Public Security. From its inauguration the Soviet Trade Representation was suspected by the Egyptian police of illegitimate political activities and closely watched. Moreover, Egyptian cotton merchants accused the Soviets of speculative dealings in Egyptian cotton which spoiled their market and were used by the Soviets as a means of obtaining valuta. In May 1931 a special Soviet agent was admitted to Egypt for the purpose of buying cotton. His appearance was a complete fiasco. The Soviet Government refused in the first place to take delivery of his purchases of cotton at the prices originally arranged, and then proposed to accept at current prices, which (according to the Egyptians) would have meant a loss of about \$2,500,000 for the Egyptian merchants concerned.¹ It may be recalled here in connexion with these charges against the Soviets of speculating in Egyptian cotton that in the last few years Persia has put forward very much the same complaints against the U.S.S.R., in respect of Persian carpets. The dissatisfaction long felt in Egypt against the Soviet Trade Representation came to a head in August 1932, when the Egyptian authorities requested M. Forbieff, the Soviet Commissioner, to leave the country and closed down his offices.²

In November 1931 a surtax of 100 per cent. of the normal customs duties was imposed by the Egyptian Government on the following articles of Russian origin:³

- Wheat of all kinds.
- Flour.
- Alcohol (alcoholic liquors).
- Cement.

¹ Cf. *New York Times*, 9.v.1931.

² Cf. *The Times*, 4.viii.1932.

³ Cf. *Econ. Conditions in Egypt*, 1933, Dept. of Overseas Trade, London. Cf. *Soviet Year Book of Foreign Trade* for following note on this surtax: 'Under political pressure from England and after the accession of the Conservatives to office in 1931, heavy duties were imposed on the chief commodities formerly imported to Egypt by Russia.'

Oil seeds.
 Fodder.
 Textiles (wool, cotton, &c.).
 Cotton yarn.
 Soap.
 Alimentary pastes.
 Bentwood.
 Tomato sauce.
 Yarns.
 Sugar.
 Leather and leather goods (including footwear).
 Beer.
 Compound medicines.
 Pharmaceutical specialities for retail sale.

Soviet timber, matches, and oil products (most important of all Soviet imports) escaped this surtax.

In spite of so many definite handicaps and the generally unpropitious attitude to the U.S.S.R. in Egypt, certain Soviet products succeeded in maintaining their position on the Egyptian market, and the unfavourable balance of trade which existed with Egypt until 1931 was reversed. In 1933 the U.S.S.R. considerably improved its position among the countries importing to Egypt, being placed eighth on the list. This result had a twofold cause. On the one hand there was a big increase in the exports of Soviet timber, coal, and certain oil products to Egypt, while simultaneously the imports of Egyptian cotton to the U.S.S.R. fell drastically until in 1933 they entirely ceased.

Soviet trade with Egypt, 1929-33¹

(In £E. 000's omitted)

	1929	1930	1931	1932	1933
Soviet imports to Egypt .	1,003	913	440	716	554
Per cent. of total imports to Egypt	1.8	..	3.4	2.6	2.1
Egyptian exports to the U.S.S.R.	2,216	1,704	1,701	196	Nil
Per cent. of total exports .	4.3	..	5.9	0.5	..

¹ Cf. *Annual Statement of the Foreign Trade, Kingdom of Egypt*, for respective years.

In studying the curve of Soviet exports of oil products to Egypt it must be borne in mind that Egypt is one of the Near Eastern countries where Soviet oil is also marketed by the Standard Oil Co. Among the contracts between the Socony Vacuum Co. and the Soviet Oil Syndicate reported (at the time of writing) to be almost ready for signature is one for 500,000 barrels of gasolene and kerosene to be distributed by the former company in Egypt.¹ In this way it often happens in Egypt, as in Syria or India where the same system prevails, that, when direct exports of Soviet oil products seem to be falling, the consumption of Soviet kerosene or gasolene from Batum may actually be on the increase.

Chief commodities exported from the U.S.S.R. to Egypt²

(In tons)

	1929	1930	1931	1932	1933
Sawn wood . . .	233	22,563	59,715	60,189	92,559
Other timber . . .	310	5,222	88	1,586	1,083
Oil products . . .	227,562	222,364	126,396	268,029	100,372
Coal . . .	240	11,349	48,611	73,291	102,833
Sugar . . .	11,015	12,382	..	7,827	6,607
Matches . . .	482	1,365	120	306	152
Glass and crockery . . .	..	..	..	1,198	726
Textiles . . .	..	..	..	..	..
Pharm. products . . .	..	..	..	2,116	..

These figures show a remarkable growth in the exports of Russian timber to Egypt. Exports of Russian coal have increased even more rapidly in tonnage since 1929-30, though the value of the timber exports is higher. Considerable quantities of this coal are used for bunkers, and Russian anthracite (rubbly culm) now holds an important place on the Egyptian market.³ The decline in exports of Soviet sugar to Egypt is partly due to the 100 per cent. surtax, but is also largely a result of the remarkable expansion in the production of home-grown Egyptian sugar, which has effectually cut down the tonnage and value of imports of sugar to Egypt from all sources since 1930. From being 3.2 per cent. of the total

¹ Cf. Reuter's Bulletin, New York, 28.1.1935.

² Cf. *Vneshniaia Torgovlia* for respective years.

³ Cf. *Econ. Conditions in Egypt*, 1933, op. cit.

imports to Egypt in 1932, sugar fell to 0 per cent. in 1933.¹ The discrepancy in the Soviet and Egyptian statistics for imports of sugar from U.S.S.R. in 1932-3 is obviously due to re-exports of sugar from Egypt. (Cf. figures in preceding and following tables.)

Imports of sugar to Egypt, 1930-3²

	1930	1931	1932	1933
Metric tons (ooo's omitted) .	130	4	0.8	1.1
Value £E. (ooo's omitted) .	..	39	7	10

Among the minor Soviet imports, matches have had the most regular sale in Egypt. The other items show up most spasmodically and are only imported in negligible quantities. The trade statistics for the imports of Soviet textiles, registering one consignment of one ton in 1931, rather belie the rumours of Soviet dumping of textiles reported by competing producing countries. It may be that 'the surtax effectively checked the programme of underselling, particularly in respect of textiles for which elaborate preparations had been made'.³ This may be the explanation, but it is not proved.

Before the War Russia exported large quantities of wheat and maize flour to Egypt. This market has since been almost entirely lost to Australia and France, and in recent years Egypt has herself become a producer of flour, thus dispensing to a great extent with imported flour.

Exports of Russian flour to Egypt⁴

(In tons)				
1913	1926-7	1929	1931	1932
11,111	2,395	204 (kg.)	133	..

Imports of Egyptian cotton to the U.S.S.R. Egyptian exports to the U.S.S.R. are entirely confined to one commodity, cotton, which thus in itself reflects the position of Egyptian trade with the U.S.S.R. Both for political as well as economic

¹ Cf. *Intern. Trade Statistics*, op. cit.

² *Ibid.*

³ Cf. *Economic Conditions in Egypt*, 1933, op. cit.

⁴ Cf. *Vnashniiaia Torgovlia*, for respective years concerned.

reasons the U.S.S.R. has cut down her imports of the high-grade, expensive Egyptian raw material since 1930, and in 1933 she entirely ceased buying. Such has been the Soviets' counter-thrust to the various measures of discrimination against

Imports of Egyptian cotton to the U.S.S.R.¹

(In tons)

1913	1929	1930	1931	1932	1933
7,060	15,468	16,419	26,988	1,033	Nil

Soviet trade in Egypt. It hung long in the air like a Damoclean sword threatening Egypt unless she changed her anti-Soviet policy. This is only one-half of the story. Apart from any political retaliation against Egypt, the Five-Year Plan from the beginning attached primary importance to making the U.S.S.R. independent of imported cotton—as much Egyptian as American. As the production of the Egyptian variety presented considerable difficulties, even in Central Asia, it was not seriously attempted in pre-War Russia. Under the impetus of the Five-Year Plan, beginning from 1928, experiments were vigorously pushed forward, with the result that in 1932 the U.S.S.R. produced more Egyptian cotton than had ever been imported by Russia.

Table showing total production of Egyptian cotton and percentage fulfilment of Plan. 1932²

Republic	Tons	per cent.
Uzbekistan .	5,349	152.8
Tatar S.S.R. .	9,513	109.1
Tadjistan .	4,863	93.6
Azerbaidjan .	10,590	78.4
Total .	30,315	m. 97.7

From the Egyptian point of view the Russian market must be regarded as a considerable and final loss. The Russian demand for finer grade raw material such as the Egyptian variety of cotton is definitely growing, both absolutely and in comparison to the pre-War position, in accordance with

¹ Ibid.

² Cf. *Revolutsiya i Natsionalizatsiya*, No. 1, Jan. 1934.

the progress of the Soviet textile industry. With the object of producing larger quantities of the finer quality materials, the Five-Year Plan proposes to raise the proportion of home-grown Egyptian to American cotton employed in the textile industry, between 1932-7, from 6 per cent. to 12 per cent.¹ Under other circumstances these increased demands for Egyptian cotton would undoubtedly be reflected in larger imports from Egypt to the U.S.S.R. As it is, Egypt has nothing now to gain by these 'plan' measures.

Area under Egyptian cotton in the U.S.S.R.²

(In hectares)

<i>Republic</i>	1928	1930	1932	1933	1934
Uzbekistan . . .	0.09	204.5	4,995.2	8,918	
Tadjistan . . .	0.75	4,059.65	21,250.8	15,089	
Turkman S.S.R. . .	33	1,103.74	14,632.4	17,273	
Kirgiz S.S.R. . .	..	..	250.0	..	..
Central Asia . . .	33.84	5,277.89	41,398.5	41,280	..
Transcaucasia . .	0.01	40	8,861	26,051	..
U.S.S.R.	33.85	5,417.89	50,059.5	67,331	103,500 (according to plan)

Average yield per hectare in centners³

1930	1931	1932	1933 (Estimate)
3.2	3.6	4.4	5

¹ Cf. *Revolutsiya i Natsionalnosti*, Jan. 1934.

² *Ibid.*

³ *Ibid.*

VII

SOVIET TRADE WITH THE LEVANT, 'IRAQ, AND THE RED SEA BASIN

RUSSIAN trade with the Levant, the hinterground of 'Iraq and Arabia (the Hedjaz and the Yemen) is of very recent date and small volume. Under Soviet auspices it is being pushed more as an experiment than as a practical commercial proposition, it would appear. It may also be regarded as an effort to penetrate countries the political status of which, whether in the form of mandated territory or the series of semi-protectorates south of Suez, is an object of hostility to the U.S.S.R.

Under the old régime in Russia this trade was practically non-existent. All these countries were then subject to Turkey, whose political relations with Russia were not of a nature to encourage trade of any kind.

Up to the present time neither in Syria, Palestine, nor 'Iraq have the Soviets established a Trade Agency or Representation. Business negotiations with the governmental authorities concerned have been left in the hands of the Soviet Trade Representative in Istanbul, who has paid several visits to both Palestine and Syria in the interests of Soviet trade. There is also a certain connexion between the *Gospred* in Teheran and trade with 'Iraq.

Syria

Since 1926 the Soviets have attacked the Syrian tariff system as being an insuperable barrier to the development of Soviet trade. This system originally incorporated a series of discriminations enforced by a decree of the French High Commissioner.¹ It was stipulated, for example, that (a) a maximum tariff of 50 per cent. in the case of goods taxed *ad valorem*, (b) double the specific duties on goods subject to this tariff, should be applicable in respect of countries not belonging to the League of Nations, with the exception of the United States

¹ For text of this decree cf. Appendix IX.

and Turkey. This decree, if not directly aimed at the U.S.S.R., automatically checked any latent possibility of Soviet-Syrian trade. The tariff situation was eased for the U.S.S.R. in 1929 by a new decree¹ of the French High Commissioner in Syria, whereby the normal Syrian tariff might be applied to Soviet goods imported into the country, on condition that the import and export trade balanced annually. This concession had little or no result till 1931-2, when Soviet exports to Syria suddenly assumed unwonted proportions, though limited to a few items—oil products, timber, glass, and china. Russian barley was also exceptionally imported for the troops, but the above-mentioned commodities remain the regular imports from the U.S.S.R.

*Soviet trade with Syria*²

	1929		1930		1931		1932		1933		1934	
	tons	t. r.	tons	t. r.	tons	t. r.	tons	t. r.	tons	t. r.	tons	t. r.
Imports from Syria	36	15	37	22	9	4	15	6	307	28	1,314	517
Exports to Syria	11	3	41	21	11,222	280	9,266	228	15	11	14,699	453

In spite of the tariff facilities offered to Soviet trade by the 1929 decree, the Soviet authorities continued to protest against a system which placed Soviet goods on an unequal footing with imports from other countries. As a result of many overtures, leading to definite negotiations in 1933 between the Soviet Trade Representative in Istanbul and the French High Commissioner, Comte de Martel, a special decree 'regulating commercial exchanges between the U.S.S.R. and the countries of the Levant under French Mandate' was signed in December 1933. In virtue of this decree all Soviet goods entering Syria were henceforth to be subject to the normal tariff, provided they were dispatched to merchants in the mandated area in counter-value for goods exported by the same merchants to the Soviet Union. It was moreover stipulated that the U.S.S.R. would be allowed a margin of 20 per cent. above the value of Syrian exports to the U.S.S.R. in

¹ For text of this decree cf. Appendix X.

² Cf. *Vnashniaia Torgovlia*, op. cit.

importing to Syria, as compensation for the different methods employed by both countries in accounting for goods and transport, e.g. F.o.b. or C.O.D. Incidentally the 'merchants' referred to in this decree resolve themselves into the person of one Syrian agent in Beyrout, who is authorized by the Soviet Trade Commissioner in Istanbul to import Soviet goods into Syria and to export to the U.S.S.R.

The Mosul pipe-line has now reached Tripoli, and with its appearance the chances of developing a market for Soviet oil in Syria become extremely remote. It should be noted, however, that Syria is another of the countries in which the Standard Oil Co. have long utilized their purchases of oil from Batum to keep their predominating place on the market. Since 1928 they have concluded several important contracts with the *Naphtasyndicat* and have thus been enabled to sell Soviet oil, especially in the Near East and India, for the most part under far more favourable tariff conditions than the Soviets could themselves.

Soviet economic writers hold to the opinion that under more normal circumstances a market could be developed for Syrian wool, cotton, and leather in the U.S.S.R. and for Soviet timber, sugar, cement, glass, and crockery in Syria.

Syrian trade with the U.S.S.R.¹

	<i>Kgs.</i>	<i>£ Syr.</i>
Syrian imports from the U.S.S.R.	5,276,938	119,432
Syrian exports to the U.S.S.R.	811,889	164,780

In 1933-4, when the above-mentioned exemptions were granted to Soviet trade, Syria was languishing in the throes of an economic crisis which sapped the foundations of her prosperity and ruined three-fourths of her export trade. In spite of the new tariff arrangements, everything is therefore against the expansion of Soviet exports on the sadly impoverished Syrian market, and until the general situation improves it is unlikely that they can be placed on any better footing.

¹ Cf. *Commerce Général d'Importation de la Syrie*, 1933.

Palestine

Soviet trade with Palestine is considerably larger than with Syria and shows an overwhelmingly favourable balance for the U.S.S.R. Between 1929 and 1934 Soviet exports to Palestine have greatly increased in value, while the imports from Palestine to the U.S.S.R. are still negligible and consist of small consignments of passover bread, citrus fruit, and wine. Other items on the import list such as wearing apparel, pearl rosary beads, and false teeth are obviously gifts from Russian colonists in Palestine to relations and friends in Russia and have no commercial importance. Apart from the

	1929	1930	1931	1932	1933 ¹
Imports from U.S.S.R. to Palestine . . .	£P. 82,886	75,034	140,203	99,020	157,637
Exports from Palestine to U.S.S.R. . .	£P. 827	662	1,938	441	3,423

main Soviet exports to Palestine of oil products (kerosene and benzine), timber (wood prepared for orange cases and for building), and sugar, the list usually includes or has included small quantities of the following goods: cement (increasing), matches (ceased in 1931), rye and wheat flour, starch, glass and crockery, rubber tyres and tubes, electric bulbs, agricultural machinery and parts, tinned, smoked, and salt fish, pumpkin seeds, caustic soda. . . . These secondary Soviet exports to Palestine are quite mercurial, appearing and disappearing on the list with amazing rapidity and force. For example, up to 1933 the U.S.S.R. exported no wheat to Palestine. In 1933 she appeared on the market with 5,783,734 kg. of wheat to her credit and was placed fourth on the list of importing countries, just after Australia.² Imports of Soviet sugar have followed a different course. These imports increased so heavily that in 1931 the U.S.S.R. came first of the importing countries. In the following year they fell violently, and in 1933 no sugar was imported by Palestine from Russia.

¹ Cf. *Statistics of Imports, Exports, and Shipping*, Government of Palestine, Dept. of Customs, Excise, and Trade. Jerusalem, 1929-33.

² *Ibid.*

Imports of sugar to Palestine from the U.S.S.R.¹

<i>Value</i>	1929	1930	1931	1932	1933
In £P. . . .	6,027	11,567	51,339	8,838	..
In kilos. . . .	446,729	944,142	6,087,448	860,311	..

The two chief Russian imports to Palestine, oil products and timber of all kinds, compete closely with imports of both commodities from Roumania, which heads the list of importing countries in both cases.

*Imports of oil products to Palestine²**(In litres and £P.)**Kerosene*

<i>Chief importing countries</i>	1931	1932	1933
Roumania . . .	29,244,047 L. 58,575 £P.)	22,883,739 L. 45,380 £P.)	30,466,409 L. 83,110 £P.)
Russia	4,349,648 L. 6,699 £P.)	11,459,273 L. 22,659 £P.)	7,973,182 L. 20,700 £P.)

Benzine

Roumania . . .	10,163,332 L. 101,564 £P.)	16,976,988 L. 149,312 £P.)	23,834,173 L. 146,426 £P.)
Russia	2,633,550 L. 26,336 £P.)	..	2,491,330 L. 16,950 £P.)

Prior to 1931 Russia exported no petroleum directly to Palestine, though, as in Syria and Egypt, oil from Batum was marketed by the Standard Oil Co. in Palestine. In a few years Soviet oil products have established themselves strongly in the country. Now that the Mosul pipe-line has reached Haifa and that Palestine is to have its own refinery, it would appear unlikely that these exports will continue to flourish in the future.

The requirements of the orange industry and the building boom in the last few years are reflected in the second largest Soviet export to Palestine, wood for orange cases and wood for buildings.

¹ Cf. *Statistics of Imports, &c.*, Government of Palestine, op. cit.

² *Ibid.*

SOVIET TRADE WITH THE
*Imports from the U.S.S.R.*¹

	1929	1930	1931	1932	1933
Wood prepared for orange cases:					
3 M. . . .	11,645	6,658	2,346	3,852	3,458
£P. . . .	56,503	30,821	9,805	13,854	11,093
Wood and timber for building:					
3 M. . . .	..	..	10,616	10,533	19,970
£P. . . .	..	..	29,358	13,854	11,093

The Soviet exhibits at the Levant Fair held periodically at Tel-Aviv, though largely a political stunt to impress Near Eastern visitors, indicate the general lines on which Soviet trade agents would like to expand in Palestine. The following goods were exhibited in 1932: timber, oil and grain products, textiles, rubber goods, chemicals, electrical appliances, agricultural machines, canned goods of various kinds, films, printed matter.² There was no Soviet exhibit at the last fair in 1934.

Though perhaps not yet a factor of essential economic importance, the sympathetic attitude of many Jewish colonies in Palestine for all that pertains to the U.S.S.R. should be noted. It is certainly the nucleus for a wider development of Soviet exports, as these colonists would undoubtedly give preference to Soviet goods if they were available at competitive prices.

M. Parashin, the delegate of the Soviet Trade Mission in Istanbul, visited Palestine for the first time in 1933 and met the Jewish and Arab Chambers of Commerce of Jaffa and Tel-Aviv. During these conversations the trade relations of Palestine and the U.S.S.R. were discussed. The very unequal trade balance in favour of the Soviet Union was emphasized by these Palestinian business men, and the Soviets were strongly urged to increase their purchases in Palestine so as to rectify this state of affairs. As a result the Soviet Trade Delegation considerably increased its purchases of oranges from Palestine in 1933.³ This raised the value of Soviet

¹ Cf. *Statistics of Imports, &c.*, Government of Palestine, op. cit.

² Cf. *Palestine and the Near East*, Apr. 1932.

³ Cf. *Palestine and the Near East*, Mar. 1933.

imports from Palestine to a relatively higher figure than previously, though they still remain extremely low.

*Soviet trade with Palestine*¹

	1929		1930		1931		1932		1933		1934	
	tons	t.r.	tons	t.r.	tons	t.r.	tons	t.r.	tons	t.r.	tons	t.r.
Exports	7,837	740	11,657	512	8,411	471	14,787	391	35,443	700	55,483	1,008
Imports	257	52	0.1	0	0	0.1	0	0.1	0	0	587	64

Arabia (The Yemen)

The small Arabian state of the Yemen is the only country on the seaboard of Asia (with the exception of countries like Persia enjoying a special trade régime with the U.S.S.R.) which has concluded a commercial agreement with the Soviet Union. Soviet agents have long been busy with mixed schemes of political propaganda and economic penetration in different parts of Arabia, with a view to undermining the prestige and influence of Great Britain in particular. The treaty signed at Sana in July 1928 establishing 'a commercial Union between the Soviet Government and the Government of the Imam' was therefore hailed with great triumph in Moscow.² The first clause of the treaty was a diplomatic sop to the *amour-propre* of this tribal ruler: 'the Soviet government recognizes the complete independence of the whole Yemen and its King H.M. the Imam Yahia Mohammed Hamia Ad Din', and an attempt to curry favour at the expense of any less respectful imperial power. The second clause stated that 'the subjects of these two Governments shall have the privilege of and facilities for transacting their own business with the consent and the sanction of both Governments'. The agreement was to hold good for a period of ten years. Commenting on this treaty, the official organ of the Moscow Chamber of Commerce with the East³ declared:

'Among the victories achieved by Soviet diplomacy in recent years, great significance must be attached to a victory on the Eastern front—externally of little significance but in substance

¹ Cf. *Vneshniaia Torgovlia*, op. cit. ² For text of this Treaty cf. Appendix XII.

³ Cf. *Torgovlia S.S.S.R. s Vostokom*, 'Our Trade with the Yemen', Nos. 3-4, 1931.^a

extremely important. The agreement in question is that concluded by the U.S.S.R. with a small state on the Arabian peninsula, the Yemen. It may truly be said that the conclusion of this agreement sets a seal on a far-reaching question of principle.¹

The total imports of the Yemen are a small matter. The purchasing power of the population is very limited, and owing to the fall in prices since 1930 of the few raw materials exported, e.g. coffee, leather, cotton, it has been still more reduced. The chief commodities imported, oil products, sugar, flour, and starch, happen to be goods which the Soviet Union is able and anxious to export. The position of the Soviets has greatly improved on this market since 1928, when the above-mentioned treaty was signed and their active commercial operations in the Yemen began. The following table shows the position of imports from the U.S.S.R. and competing countries in 1929-30.¹

	<i>Imports of competitors</i>	<i>Imports from the U.S.S.R.</i>
Flour	6,779 (bags)	7,268 (bags)
Sugar	11,952 "	10,419 "
Starch	535 "	550 "
Soap	1,110 (cases)	1,973 (cases)
Manufactured goods .	13,302 (bales)	592 (bales)

Owing to the primitive state of roads and transport, kerosene is the chief oil product imported by the Yemen. The imports of petrol are negligible. Between 1928-9 and 1929-30 the *Naphtasyndicat* greatly increased its sales of kerosene in the Yemen. The position in 1928-9 was as follows:

Shell	42,000 tins
Standard Oil	30,000 "
<i>Naphtasyndicat</i>	24,800 "
Fiume	13,000 "

In 1929-30, according to a Soviet report, the Standard Oil and Fiume companies 'threw up the sponge' and retired, leaving Shell and the *Naphtasyndicat* in possession of the market with the following number of tins each:

Shell	65,076 tins
<i>Naphtasyndicat</i>	65,006 tins

¹ Cf. *Torgonia S.S.S.R. s Vostokom*, op. cit.

In so far as the Standard Oil Company's operations are concerned it would be more accurate to state that the Company has gradually restricted its sales of oil in the Yemen as a result of a quota arrangement with Shell. Shell has now established a large network of agencies throughout the country while the Soviet oil agencies are confined to two, at Hodeida and Sana. Since 1930 no statistics of Soviet exports of oil to the Yemen are available; in general, commercial information regarding these Arab states is only to be picked up piecemeal.

In a Soviet study of *Import Markets of Eastern Countries* published in 1933,¹ we are told that: 'The Yemen has every reason to depend on assistance from the U.S.S.R. for supplies of agricultural machinery.' No further details are given of the class of machinery it is proposed to import, and in view of the desert nature of the Yemen, it is not altogether clear what is intended. The interesting point rather is that the Soviet export organizations should actually be planning on such lines at all.

The efforts of the Soviet trading agents to penetrate the Arabian peninsula have been so persistent in recent years, that a comparison with the pre-War position of Russian trade in this area may be of interest. In 1912 Russia imported the following goods from Arabia:²

Rice	5,540 pounds	(value 11,045 rbs.)
Pepper	677 "	(" 6,342 ")
Raw pepper	18,438 "	(" 241,617 ")
Cocoa	2,825 "	(" 25,556 ")
Gum	3,298 "	(" 17,183 ")
Rubber	10,548 "	(" 632,892 ")

Pre-War Russian exports to Arabia were negligible.

*Soviet Trade with the Yemen.*³ (In tons and thousands of roubles.)

	1932		1933		1934	
	tons	t.rbs.	tons	t.rbs.	tons	t.rbs.
Soviet exports	3,183	330	6,666	493	3,892	239
Soviet imports	53	27	51	27	48	20

¹ Cf. *Importnie rynki stran vostoka*, All Union Chamber of Commerce, Moscow, 1933.

² Cf. *Torgovlia S.S.S.R. s Vostokom*, Nos. 3-4, 1927.

³ Cf. *Vneshniaia Torgovlia*, Dec. 1933, 1934.

Saudi-Arabia

Trading conditions in the Hedjaz, or as it is now officially styled Saudi-Arabia, are similar to those in the Yemen. The chief imports are grain, oil products (both petrol and kerosene), timber, and cement. There is, however, a striking difference between the state of roads and transport in these two contiguous states of Arabia. In order to facilitate the great pilgrim traffic to the holy places and to strengthen the domestic position of the Government, metalled roads have been built and a fleet of automobiles imported. A market for petrol has thus been created in Saudi-Arabia which does not yet exist in the Yemen.

With a view to promoting their political and commercial aims, the Soviet authorities have lost no opportunity of cultivating the good graces of the strong man of Arabia, Ibn Saud. It was even rumoured when the British appointed a financial counsellor to the Hedjaz that one of their objectives was to counterbalance the growth of Soviet activities there. The personal gift of automatic telephones made to the Arabian king by the Soviet Government a few years ago is an example of many similar efforts to impress simple people with the economic efficiency of the U.S.S.R.

Neither in the political nor in the economic sphere—as the following record of trade shows—have these efforts borne much fruit.

Between 1930 and 1932 an attempt was made by *Soyuzneft* to supplant competitors in the oil business and in particular to bar the way for future deliveries of Mosul oil in the Hedjaz—as yet a small though growing market for oil products. For the first time in 1930 a trial consignment of oil arrived from Batum. As the price was lower than the prevailing rates, a two years' contract for supplies of Russian oil, i.e. 1,500 t. petrol, 1,000 t. kerosene, was signed at the end of 1931, by the Government.¹ At the same time negotiations were reported between the representatives of Ibn Saud and the Soviet Trade Delegation for a credit of 1½ million dollars' worth of Russian goods.² These promising beginnings were soon

¹ Cf. *Russland und Asien*, 30. xii. 1931. Cf. *Importnis rinkis*, op. cit., p. 18.

² Cf. *Industrie und Handel*, 5. x. 1931.

abruptly checked by the total prohibition of Soviet goods—including oil products—ordered by the Government of Ibn Saud.

Soviet trade with the Hedjaz, 1930-4¹

	1930		1931		1932-34
	tons	l.rbs.	tons	l.rbs.	
Soviet exports to the Hedjaz	149	16	750	23	nil
Imports to the U.S.S.R. from the Hedjaz . . . . .	..	..	..	..	nil

'Iraq²

Soviet trade with 'Iraq is of quite recent date. Prior to June 1934 trade statistics for the Soviet Union were included under the general heading 'All other countries', by 'Iraq, as not being of sufficient magnitude to justify individual classification.

In 1934 the Soviet Union sent a Trade Commission to 'Iraq to promote trade relations. It is reported that this mission made substantial purchases in the country, principally of wool. During the second and third quarters of 1934 (the only period for which statistics have hitherto been published) the Soviet Union accounted for 3.14 per cent. of the imports into 'Iraq. Imports from the Soviet Union included sugar, glass, lumber, date boxes, and cotton textiles. The exports from 'Iraq to the U.S.S.R. during the same period were considerably smaller.

	<i>Imports from U.S.S.R.</i>	<i>Exports to U.S.S.R.</i>
Quarter ending June 30, 1934	I.D. 47,892	I.D. 1,600
Quarter ending Sept. 30, 1934	I.D. 42,180	(not yet available)

(N.B. One 'Iraqi Dinar is equal to one pound sterling.)

Soviet trade with 'Iraq is not an easy matter. The development of the 'Iraqi oil-fields has blocked the way to imports of Soviet oil products. Japanese textiles are flooding the market

¹ *Vneshnaya Torgovlia, 1930-4.*

² I am very much indebted to the American Consular Service in Baghdad for information used in this section.

at prices against which no competition is possible. Russian timber (especially in the form of packing-cases), sugar, and glass remain the few commodities with a future in 'Iraq, at the present time.

Though unimportant in the direct trading relations of 'Iraq, the U.S.S.R. is indirectly a factor of considerable importance in the economic life of the country, owing to its influence on the relatively large transit trade (particularly in sugar and textiles) of 'Iraq with Persia. For years 'Iraq has therefore watched the expansion of Russian trade in north-west Persia, and even in the provinces adjacent to her frontier, with jealous eyes. In certain years textiles and sugar imported to Persia through 'Iraq were undercut by Russian textiles and sugar from the Caspian ports, even in Kermānshah, the Persian market centre nearest to 'Iraq. In this competition the Russians have long enjoyed the advantage of certain preferential customs tariffs which have a very direct bearing on the movement of trade over the 'Iraqi and Russian frontiers of Persia.¹

The foregoing analysis of Soviet trade with countries of the Levant region shows that, though small in volume, it is entirely to the advantage of the U.S.S.R. The question then arises as to whether this unsatisfactory state of affairs for the countries concerned is likely to continue, and in view of their economic production, what might the U.S.S.R. profitably import from them, if forced to do so?

The chief export of both Saudi-Arabia and the Yemen is coffee, which is now classified as a luxury in the U.S.S.R. and taxed accordingly. Relatively small quantities have figured for years on the Soviet import list, and it is not to be expected that they will increase appreciably for many years. Palestine will probably continue to export some citrus fruit and wine to the U.S.S.R., and the quantities may gradually increase to the extent that there is *valuta* to spare for either of these non-essential commodities. Leather and skins are the only Syrian exports purchased in bulk by the U.S.S.R. The fruit of Syria is very inferior to Palestinian, against which it therefore cannot

¹ Cf. *Report of His Majesty's Government in the United Kingdom to the Council of the League of Nations on the Administration of Iraq.*

compete for the Russian market. Syrian wool is not highly graded and the other agricultural exports of the country, including silk and tobacco, are not imported by present-day Russia. Under these circumstances the future of Syrian exports to the U.S.S.R. would seem to be very poor.

The situation is almost exactly similar in Iraq whose exports of dates, wool, and cotton have hitherto had little outlet in Russia. Nevertheless Soviet economists write optimistically of 'placing sugar, ready-made clothing, cement, furniture, soap, perfumery, paper and cardboard, matches, glass and crockery . . .' in Iraq.¹ It is thus difficult to foresee any steady or permanent expansion of Soviet trade with the countries either of the Levant or Arabia, at a time when international trade is being more and more restricted to an exchange of goods. Where no exchange is possible or convenient, trade must eventually languish and take a direction more favourable to the interests of both parties. This would seem to indicate that as long as the present rigid system of foreign trade involving restrictions on many imports such as coffee, spices, silk, &c., exists in the U.S.S.R., it is unlikely that Russian trade can make any solid progress in this area, where such commodities are major exports, however successfully Soviet goods of one kind or another may be launched from time to time.

¹ Cf. *Torgovlia S.S.S.R. s Vostokom* (Trade of the U.S.S.R. with the East), Nos. 3-4, 'The Foreign Trade of Iraq.'¹⁰

VIII

SOVIET TRADE FROM THE PACIFIC TO THE LEVANT. SUMMARY

SOVIET trade with the periphery of Asia and Egypt differs in one most important aspect from that with countries on the Asiatic land frontier of the Soviet Union, i.e. the legal basis of trade. All the latter group of countries—Turkey, Persia, Chinese Turkistan, Outer Mongolia (with the exception of Afghanistan)—have concluded some kind of commercial treaty or agreement with the U.S.S.R. No such pact is to be found in the case of China or Japan, India or Egypt.

The paternal interest in the economic and social progress of the East long proclaimed by the Soviet Government does not extend even theoretically to the economic relations of the Soviet Union with Eastern countries like Japan, China proper, Egypt, or India. And accordingly the special trade régime early inaugurated by the Soviets in respect of its trade with Turkey, Persia, Afghanistan, Western China, and Outer Mongolia has never applied to the former group of Eastern countries where the Bolsheviks absolved themselves from their self-denying ordinances on account of 'the capitalistic structure of industry and the prevailing imperialism'.¹

No more in the East than in the West is it possible to discern any consecutive line of action in Soviet commercial operations. Apart from the foreign trade monopoly, by which the Soviet Government has the unique advantage of consolidating all the resources of the U.S.S.R. on foreign markets, there is nothing characteristically Soviet, nothing original in the mercantile theory underlying Soviet foreign trade activities, though it is often erroneously presumed that amid the florescence of political and economic ideas in Communist Russia the technique of foreign trade has been transformed by novelty.

¹ For details of this special trade régime cf. my *Soviet Economic Policy in the East*, Oxford University Press, 1933.

In the particular domain of Soviet trade with the East the only fixed and clearly defined aim appears to be to capture the oil markets of the East for the U.S.S.R., whatever the cost may be.

In the foregoing chapters the trade of the Soviet Union with all countries from Egypt to Japan has been studied in some detail. *In se*, however, this trade is so inchoate, unstable, and restricted at the present time, save in the case of China and Japan, that it is scarcely worth discussion. The reason for continuing the investigation to countries like Palestine or 'Iraq was therefore not so much their importance in the records of Soviet trade, as the desire to complete the cycle of Soviet economic activities in the East—showing the low spots as well as the high. In some places in this area Soviet political designs have certainly been the origin of tentative commercial operations and to this extent political questions have been allowed mention in an otherwise purely economic study. The economic and social conditions of the toiling masses of Asia have long been closely watched by the rulers of the U.S.S.R., and trade agents—often in places where little trade can be done, as in Saudi-Arabia—are a useful means of contact with these peoples.

Surveying the movement of trade between the U.S.S.R. and the East as a whole for the last decade, the steady increase in the volume of trade over the Asiatic land frontier in comparison with the spasmodic and relatively small sea-borne trade is very striking. The products of the new Russian industries: iron and steel, agricultural machinery, electric bulbs and fittings, cement, pharmaceutical and rubber goods, as well as the traditional Russian exports of textiles, sugar, and oil products, find their way over an easy frontier road to Chinese Turkistan or Outer Mongolia—countries geographically almost inaccessible to other competition. They are also sold in large quantities in Persia and Afghanistan.¹ On the other hand, neither in China proper, nor Japan, India, or Egypt would the majority of these industrial exports

¹ Perso-Soviet trade is periodically disturbed by political crises which are gradually undermining the long-established basis of trade between the two countries.

of the U.S.S.R. have the slightest chance of seriously penetrating the market. The list of Soviet exports to these latter countries has little of the elasticity which characterizes the Asiatic land frontier trade, although it regularly contains two valuable commodities, timber and coal, in far greater quantities. In fact, for the chief Soviet exports—oil products, timber, and coal—the prospects are excellent in China, Japan, and Egypt, and also for oil products in India. In spite of the seeming anomaly involved in sending Russian oil through the Suez Canal,¹ past the oil-fields of South Persia, Burma, and the Dutch East Indies to the markets of the Far East, it is with oil from the Caucasus that the U.S.S.R. has made good in India, China, and Japan. It is possible that the Chinese and Japanese markets may eventually be supplied from the oil-wells of Soviet Sakhalin, if the refineries planned for the Far Eastern Region, the first of which was opened at Habarovsk in July 1934, function successfully. Under such conditions transport charges, which are actually so heavy on Soviet oil from Batum, would fall to a fraction of their present rates. A Soviet Far Eastern oil industry would not necessarily mean that the oil markets of the Far East would become Russian, *hors concours*, as the Soviets like to prophesy, but it would certainly strengthen the Russian position very considerably. One need only recall the fact that foreign oil can successfully compete in the American home markets and that Soviet kerosene has a larger sale in India than Persian, to discount to a great extent the proximity factor.

Soviet exports of grain and cotton textiles, *inter alia*, have aroused a great deal of international comment, including charges of dumping, &c., though a sober consideration of the domestic situation in the U.S.S.R., both as regards production and requirements of both commodities, should dispel any preoccupation with the 'menace of Red trade' from this quarter in the East or in the West. In the case of textiles, it is pertinent to trace the question back to the production of the raw material in the U.S.S.R. The area under cotton in the Soviet Union has been enormously increased

¹ Cf. Julien Raymond Ch., *Le Trafic du Canal de Suez*, Librairie du Recueil Sirey, Paris, 1933.

*Exports of Soviet oil and timber to China, Japan, India, Egypt*¹
(In tons)

Country	1929		1930		1931	
	Oil	Timber	Oil	Timber	Oil	Timber
China .	4,410	24,547	12,464	119,596	98,783	154,663
Japan .	131,724	347,651	83,325	361,538	191,740	337,550
India .	150,056	—	221,205	2,439	149,088	14
Egypt .	227,562	750	222,364	28,116	126,396	59,991

Country	1932		1933	
	Oil	Timber	Oil	Timber
China . .	93,766	154,663	105,958	132,937
Japan . .	368,024	235,702	366,442	135,337
India . .	204,990	139	176,425	95
Egypt . .	268,029	62,592	100,372	94,386

since the Revolution, or 208 per cent. between 1915 and 1931.² This fact has attracted universal attention. It is not so well advertised by the Soviet authorities that the increase in the production of cotton cloth in the same period was only 22 per cent. and that the consumption per head of the population had fallen in Russia from 20 metres in 1913 to 14 metres in 1930.³ These figures are worth considering. It is quite clear that the textiles exported by the Soviet Union are only available by stinting the home market to the most skimpy minimum. In view of the avowed intention of the Soviet Government to raise the standard of living during the second Five-Year Plan period, this state of affairs can hardly be allowed to continue indefinitely. Both from the scientific and economic points of view there has been a mad extension of the area sown with cotton in the last decade in Soviet Central Asia, to which the Soviet Government does not yet seem to recognize any natural limit. On the other hand, the yield per hectare is unusually low. In several areas the exclusion of all other crops save cotton has not only resulted in famine but has severely injured

¹ Cf. *Vnashniaia Torgovlia*, for respective years concerned.

² Cf. *Stand und Aussichten des Baumwollbaus in der Soviet-Union*, Alexander Milkich, Verlagsbuchhandlung Paul Parey, Berlin, 1933.

³ *Ibid.*

the cotton crop itself, by removing essential elements from the soil formerly supplied by other crops.

Sown area, production of cotton in Russia, 1909-13, 1915, 1933¹

	<i>Sown area (hectares)</i>	<i>Production (in quintals)</i>
1909-13 (average)	635,000	1,962,000 (ginned cotton)
1915 (peak pre-War yield)	725,000	3,080,000
1933	2,051,600	4,092,000

The situation with regard to grain exports from the U.S.S.R. is very similar. The Soviets have long been urging the extension of grain culture to many new areas like the great Asiatic steppe lands, where foreign agricultural experts declare that the natural phenomena are overpoweringly against success, i.e. low rainfall, continuous drought, hot dry winds, &c.² The spectacular figures of the sown area published officially in the U.S.S.R. have little practical significance, because the production of grain in comparison with the growth of the Russian population is still extremely inadequate. The general result of all these campaigns for the extension of the grain area, coupled with the wholesale upheaval in the Russian agricultural system following collectivization, has been that the amount of grain now available per head in the U.S.S.R. is less than before the Revolution, as the tables³ on the following page show.

The pre-War period saw the hey-day and probably the maximum volume of Russian grain exports. The population is constantly growing, and as has been shown the grain area

¹ These figures of pre-War and post-War production of cotton, &c., in Russia can only be offered as approximately accurate. They have been compiled with the assistance of the 'Istituto internazionale d'agricoltura' in Rome from Russian sources. In view of the changes in the boundaries of the pre-War Russian cotton-growing area by the post-War inclusion of Khiva and Bokhara in the Soviet Union, the frequent variation in the manner of presenting official Soviet statistics and the great propaganda value attached by the Soviet Government to cotton production, comparative cotton statistics are particularly liable to error in the U.S.S.R.

² Cf. Poletika, Dr. W. V., *Das Problem der Erweiterung des Getreidebaus in den Trockengebieten*, Sonderdruck aus *Berichte über Landwirtschaft*, No. 6-7, Sonderheft, Berlin, 1932.)

³ Cf. Brutzkus, Dr. Boris, 'Die Getreideausfuhr Russlands', *Weltwirtschaftliches Archiv*, Oct. 1933.

Year	Gross harvest	Government requisitions		Remaining in hands of agricultural population
		in mil. tons: per cent. of total harvest		
1913 .	81.6	..	..	..
1928-9 .	73.3	10.8	14.7	62.5
1929-30 .	71.7	16.2	22.5	55.6
1930-1 .	83.5	22.2	26.5	61.4
1931-2 .	79.0	23.0	32.9	47.0
1932-3 .	70.8	18.1	25.6	52.7
1933 ¹ .	89.8	..	..	..

Grain export of U.S.S.R. in relation to Production and Consumption, 1913-33²

Year	Total production minus seed	Pop.	Total production per head of population	Net export
	(mil. tons)	(in mil.)	(in centners)	(in mil. tons)
1913 . .	68.4	139.7	4.9	10.1
1928-9 . .	61.4	154.7	4.0	..
1929-30 . .	59.3	157.7	3.8	2.2
1930-1 . .	70.9	160.6	4.4	6.2
1931-2 . .	56.6	163.0	3.5	4.5
1932-3 . .	57.7	165.0	3.5	0.8

of the U.S.S.R. cannot be indefinitely expanded. Under healthier financial and political conditions the home market should absorb most of the grain which Russia can produce and a large percentage of her cotton. This does not mean that all exports of grain from Russia will cease or that Russia will be unable to keep her market for textiles in Central Asia and Mongolia. But it does mean that there will no longer be the same hectic search for *valuta* which has hitherto pressed exports out of the country, with an entire disregard of the needs of the people. For the most part, it may be said that the exports of grain and textiles from the U.S.S.R. during the last ten years are to be regarded as the result of a difficult transition period and not as a permanent economic feature.³

Partly on account of events in Manchuria, partly because,

¹ Cf. *The Economist*, Commercial History and Review, 1933.

² Cf. Brutzkus, *op. cit.*

³ Cf. Paul Czechowicz, 'Die Exportpolitik und das Problem der Exportfähigkeit der U. d. S.S.R.' *Weltwirtschaftliches Archiv*, Apr. 1932.

Japanese or no Japanese, its record in socialistic construction is not edifying, the Soviet Far Eastern Region is constantly in the limelight at the present time in the U.S.S.R. It has a prominent place in the second Five-Year Plan and is required in the immediate future not only to become self-sufficient in all agricultural produce and most light industries, but also to develop itself actively as an export base for the Far East.

How far is this practicable?

Timber, fish products, and coal are already being exported to China and Japan as has been shown in earlier chapters. Furthermore the coal exports might be considerably increased if the many mines in the Amur basin were worked by modern mechanical methods. Failing some catastrophic explosion with Japan, the Far Eastern Fisheries are likely to prove an increasing source of wealth to the Soviet Union, as a result of greater efficiency and the expanding exports of tinned crab, &c., to world markets.

For the rest, it is still far too soon to speak with any certitude of the network of new industries planned for the Far Eastern Region, while very little accurate information is yet available regarding the progress made since the Five-Year Plans were inaugurated. An excellent basis for many of them undoubtedly exists in the mineral wealth of the country, though until geological surveying, roads, transport, and mining methods are vastly improved the idea of an industrialized Soviet Far East can have little practical significance. And then the question pertinently arises, whether at that future date when the completion of the great Amur-Baikal railway and the double-tracking of the old Amur-Ussuri lines will have established rapid communication between Western Siberia and the Far Eastern Region, the wiser course would not be to draw more and more on the vast industrial 'complex' in the vicinity of Novosibirsk and Kusnezsk and consign the difficult, expensive plans for the intensive industrialization of the F.E.R. to limbo? Even under these hypothetical circumstances, however, there would still be ample room for developing many light industries in this Region based on its natural resources and requirements.

The whole future of the Soviet Far East depends in the last

resort on colonization. This region is still awaiting an influx of hardy pioneers to fill and develop its vast empty spaces. In all ages and places hitherto, individual initiative and resolution have been the foundation of the colonists' success. It is now an open question whether collective action can really cope with the problem awaiting solution in the Far Eastern Region at all. Whether in fact the Communist cell and the Soviet as social units can replace the driving force and automatic reactions of the unorganized human animal to his needs and problems in the wilds. This has yet to be proved. It may be that Soviet machinery with all its indirect reference to authority is altogether too cumbersome for progressive colonization in far-flung virgin territory such as lies North of the Amur and Manchuria.

APPENDIX I

TEXT¹ OF DECREES RELEASING THE FAR EASTERN REGION FROM THE STRICT ENFORCEMENT OF THE FOREIGN TRADE MONOPOLY.

DECREES of this kind have been in operation since 1923. The following are the more important texts:

1. The Council of National Commissars decrees: To establish free of licence, tax, or excise the import from abroad of supplies for the fishing industries of the Vladivostok and Nikolaevsk districts and of the Soviet rayon of the Chabarovsk district of the Far Eastern Region, according to lists and rates drawn up annually by the Customs Tariff Committee.

Cf. *Zabranie Zakonov*, No. 14, Statute 146, February 28, 1926.

2. The Council of National Commissars decrees:

(1) To establish free of licence, tax, or excise the import of goods from abroad to Kamchatka district and the Ochotsk rayon according to lists and norms set up by the Customs Tariff Committee.

(2) Changes in and additions to the lists indicated in par. 1 of this decree are effected annually by the Customs Tariff Committee on the representation of the Far Eastern Revolutionary Committee.

(3) In special cases it will be incumbent on the Far Eastern Revolutionary Committee, before the Customs Tariff Committee has produced its lists: (a) to complete the lists mentioned in par. 1 by items not found therein; (b) to exclude from these lists such items as may be supplied from the Far Eastern Region without detriment to the interests of the population of the Kamchatka district and the Ochotsk rayon.

Cf. *Zabranie Zakonov*, No. 14, Statute 101, March 2, 1926.

N.B. A similar decree for Sachalin was passed by *SNK* on May 7, 1926. Cf. *Zabranie Zakonov*, No. 34, Statute 247.

3. Decree concerning the tax free, excise free, and licence free import of goods from abroad to certain places of the Far Eastern Region and the Yakutsk A.S.S.R.

The Council of National Commissars of the U.S.S.R. decrees:

(1) To permit the tax free, excise free, and licence free import

¹ The following texts from the *Zabranie Zakonov*, the Soviet official code of laws, have been translated by the author.

of goods from abroad to Kamchatka and the Sachalin district and the Ochotsk and Olga rayons of the Nicholaevsk districts of the Far Eastern Region, the islands of the Eastern part of the Northern Arctic Ocean, Behring and Ochotsk Seas and in the following localities of the Yakutsk A.S.S.R. . . . the rayons settled by Tungus in the Viliuisk district and Uchursk rayon of the Aldansk district.

(2) Lists and contingents of goods permitted exceptionally for import in the above-mentioned places are drawn up annually by the Customs Tariff Committee in accordance with the proposals of the Executive Committee of the Far Eastern Region and the Council of National Commissars of the Yakutsk Autonomous S.S.R. The regulations for the import of these goods are established by the National Commissariat of Foreign and Domestic Trade of the U.S.S.R.

Cf. *Zabranie Zakonov*, No. 54, Statute 507, August 29, 1929.

APPENDIX II

COLONIZATION DECREES AFFECTING THE FAR EASTERN REGION

THE Central Executive Committee and the Council of National Commissars decree that:

(1) The present ruling applies to workers and employees among citizens of the U.S.S.R. dispatched for permanent work in the State, co-operative, and private (including concessionary) undertakings and enterprises established within the limits of the Kamchatka and Nikolaevsk districts and Selemdjinsky-Bureinsky rayons of the Amur district of the Far Eastern Region, on the following conditions:

(a) if the workers and employees are dispatched to work by the organs of the National Commissariat of Labour of the U.S.S.R. and the national Commissariats of Labour of the federal republics, or by the employers themselves on the basis of special agreements with the organs above-mentioned, regarding the recruitment of labour;

(b) if the distance between the original dwelling-place and the place of the new occupation exceeds 1,000 km. by rail or other means of communication;

(c) if the intending workers do not belong to the indigenous inhabitants of the above-mentioned districts and rayons.

(2) The workers mentioned in par. (1) are offered increased compensation at removal to place of work and at dismissal, percentage increases to prevailing rate of wages and advantages for the education of their children as enumerated in St. 3, 4, 5, and 8 of the Statutes of the Central Executive Committee and the Council of Peoples Commissars of the U.S.S.R. of May 11, 1927, regarding advantages for workers of State enterprises and undertakings in remote places of the U.S.S.R. (cf. *Zabranie Zakonov*, U.S.S.R., No. 25, St. 270, and No. 35, St. 311, 1928), with the following amendments:

(a) the quantity of household effects transported at expense of the employer is fixed at 120 kilos for the worker and 80 kilos for each member of his family travelling with him;

(b) the advantages for education start from the time of registering for work in the undertakings and enterprises mentioned in par. (1).

(3) Workers mentioned in par. (1) in case of migration to a farm and engaging in the handicrafts connected therewith, in places mentioned in the same paragraph are released from the imposition of the single agricultural tax and the State occupational tax, for ten years, in case of settlement in inhabited areas and for fifteen years in case of settlement in uninhabited areas and also enjoy privileges open to all settlers in the places in which they settle.

(4) All workers mentioned in par. (1) and members of their families accompanying them, in the course of the entire period of residence in the places mentioned in the same paragraph are released from the obligation of active military service.

Remark. This paragraph does not apply to recruits who at the time of the migration of their families are actually engaged in completing their military service in the ranks of the workers' and peasants' army and to compulsory reserves in case of mobilization.

(5) The workers mentioned in par. (1) are released from the imposition of the State income tax during the entire time of paid work in the places enumerated in the same paragraph.

(6) The workers mentioned in par. (1) during ten years from date of arrival in place where they are to work are entitled to: (a) right of free timber for construction and repairs of dwellings and for farm buildings and for the fabrication of objects of household and agricultural necessity; (b) the right of free fishing and free hunting of wild animals and fowl for personal use;

(7) All documents necessary for the journey to the places mentioned in par. (1) are provided gratis for the workers mentioned in the same paragraph.

(8) Upon the institution of the advantages enumerated above, the regulations of par. (9), (10), (12), and (13) of the above-mentioned statute of the Central Executive Committee and of the Council of National Commissars of the U.S.S.R. of May 11, 1927, are to be correspondingly applied.

(9) Disbursements made to the workers mentioned in par. (1), as enumerated in par. (2), are the liability of the respective employers; however, sums necessary for payment of compensation given to workers at the time of their departure for work in new place of habitation are advanced by the competent organs of the national commissariat of labour from the special grants made for this purpose according to the estimates of the national commissariats of labour.

(10) Instructions for the execution of this decree are issued by

the National Commissariat of Labour of the U.S.S.R. in agreement with the National Commissariat of Finances of the U.S.S.R.

Cf. Zabranie Zakonov, No. 35, Statute 312, May 26, 1928.

Decree concerning additional advantages for settlers in the Far Eastern Region.

For the purpose of the rapid and economically-permanent settlement of the Far Eastern Region the Council of National Commissars of the U.S.S.R. decrees:

(1) For settlers and prospectors dispatched to the Far Eastern Region, payment for the journey by rail is to be reduced by 10 per cent. of the cost of transport by rail in the 'hard' passenger class, according to the general tariff and by water by 10 per cent. of the cost of transport in 3rd or 4th class.

(2) Members of Kolchozi migrating in groups to the Far East and organized by red army soldiers, red army guards, and former red army partisans, if these citizens form not less than half of the entire number of able-bodied male members of the Kolchozi, are offered free transport by rail and waterways to the place of settlement.

(3) Far Eastern settlers are allowed free transport of heavy draught and beef cattle from the rail and boat stations of the Siberian region, Zabaikal and the Buriat-Mongolian Autonomous Soviet Socialist Republic, up to three head of cattle per household,—as much the individual household and as that joining the Kolchozi,—and also free transport of fodder to feed the animals on the journey.

(4) The tariff for the transport of settlers' property to the Far Eastern Region is fixed at 0·2 kopeck per ton-kilometre.

(5) The periodical repayment by Far Eastern settlers of sums paid out by the credit institutions at the original dwelling place—which repayments are to start after settlers are established—is to be accomplished in two years.

(6) The children of peasants—landless and of average means—settling in the Far East and also of hunters and handicraft workers not employing hired labour, are entitled to the right of entering the higher educational institutions of Siberia and the Far Eastern Region on the same conditions as the children of workers.

(7) Peasants—landless and of average means—settling in the Far East upon registering as members of consumers' co-operatives are entitled to specially advantageous conditions for acquiring shares. These favourable conditions are fixed by the Central Union of Co-operative Associations of the U.S.S.R.

(8) Settlers in the Far Eastern Region are supplied with deficit goods for three years from the time of settling on equal conditions with workers.

(9) Settlers in the Far Eastern Region in the course of the first year after settlement are supplied with grain on the same conditions as workers.

Remark. If settlers dispatched to the Far Eastern Region give up their grain before departure to the State collectors, instead of money they may obtain compensation in kind at the eventual place of settlement.

The conditions for this compensation are settled by agreement between the settlers and the State collectors at the original dwelling place.

(10) The enumerated privileges extend also to landless and average households migrating to the Far Eastern Region, independently of planned arrangements—from the time they are established by the land and settlement organs within the boundaries of the Far Eastern Region.

Cf. Zabranie Zakonov, No. 9, Statute 112, February 1, 1930.

Decree of the Council of National Commissars of the U.S.S.R. and of the Central Committee of the All-Union Communist Party concerning advantages for the Settlement of the Far Eastern Region.

In view of the considerable influx of settlers to the Far Eastern Region and of the necessity for facilitating their establishment as far as possible on an economic basis under the difficult conditions prevailing in the uninhabited areas of the Region and for improving labour conditions for workers and employees in this region, working far from the cultural centres of the U.S.S.R., the Council of National Commissars of the U.S.S.R. and the Central Committee of the *VKP* decree:

(1) From January 1, 1934, onwards all Kolchozi and members of Kolchozi settled in the Far Eastern districts are relieved from compulsory grain and rice deliveries to the State for a period of ten years, individual peasants for a period of five years.

(2) From January 1, 1934, Kolchozi and members of Kolchozi in the Torneisk, Soviet and Olginsk rayons of the Primory, in the Komsomolsky rayon, the Lower Amur, Okhotsk, Evensk, Koriaksk and Chukotsk districts in Sakalin and Kamchatka are released from compulsory deliveries of meat, potatoes, sunflower-seed, wool, milk and butter and also from state requisitions of

soya, vegetables and flax for a period of ten years, individual peasant households for five years.

(3) From January 1, 1934, for a period of ten years all Kolchozi and their members in the frontier districts, with the exception of the districts mentioned in section (2), in the Amur province, Birobidjan and Prigorodny rayons have only to deliver 50 per cent. of the state quota of agricultural products mentioned in section (2).

(4) From January 1, 1934, the price for fresh fish delivered by the Kolchozi and the collective enterprises in the Far Eastern Region, to the State, will be raised 20 per cent.

(5) From January 1, 1934, the following increases in the salaries paid in the Far Eastern Region will be introduced:

(a) Workers and technical staff in coal mines: 30 per cent.

(b) Workers and the technical-engineering staff of factories, workshops, transport and communications, 'sovchozi' and tractor-machine stations, and also to teachers, political-professional-educational workers, medical staff, agriculturalists, veterinary surgeons, agricultural experts and land surveyors, 10 per cent.

From January 1, 1934, the rates of payment to troops stationed in the Far East will be increased as follows:

(a) Red army soldiers and junior officers, by 50 per cent.

(b) Intermediate and senior officers, by 20 per cent.

(Signed) President of the Council of Peoples Commissars of the U.S.S.R. MOLOTOV.

Secretary of the Central Committee of the Communist Party of the Soviet Union,

STALIN.

(Cf. *Izvestiya*, December 12, 1933.)

APPENDIX III

TEXT OF THE FISHERIES CONVENTION BETWEEN RUSSIA AND JAPAN (1907)¹

Convention de Pêche entre la Russie et le Japon

Article I

Le Gouvernement Impérial de Russie concède aux sujets japonais, conformément aux dispositions de la présente Convention, le droit de pêcher, de prendre et de préparer toutes espèces de poissons et produits aquatiques, sauf les phoques à fourrure et les loutres marines, le long des côtes russes des Mers du Japon, d'Okhotsk et de Behring, à l'exception des fleuves et des anses (inlets). Les anses, faisant l'objet de l'exception ci-dessus, se trouvent énumérées dans l'Article I du Protocole ci-annexe.

Article II

Les sujets japonais sont autorisés à se livrer à la pêche et à la préparation des poissons et produits aquatiques dans les lots de pêche spécialement destinés à ce but, s'étendant tant en mer que sur les côtes, qui seront vendus à bail aux enchères publiques sans aucune distinction entre les sujets japonais et russes, soit que ce bail soit à long terme, soit qu'il soit à court terme; les sujets japonais jouiront sous ce rapport des mêmes droits que les sujets russes ayant acquis les lots de pêche dans les régions spécifiées à l'Article I de la présente Convention.

Les dates et les lieux désignés pour ces enchères, ainsi que les détails nécessaires relatifs aux baux des différents lots de pêches à vendre, seront officiellement notifiés au Consul japonais à Vladivostok au moins deux mois avant les enchères.

La pêche des baleines et des morues ainsi que de tous les poissons et produits aquatiques dont la pêche ne peut se faire dans les lots spéciaux est autorisée aux sujets japonais sur les bâtiments de mer munis d'un permis spécial.

Article III

Les sujets japonais, qui auront acquis à bail des lots de pêche conformément aux dispositions de l'Article II de la présente Con-

¹ Ministère des Affaires Étrangères St. Pétersbourg, Recueil de Documents Diplomatiques concernant les négociations en vue de la conclusion d'une Convention de pêche entre la Russie et le Japon. Août 1906—Juillet 1907.

vention, auront, dans les limites de ces lots, le droit de faire librement usage des côtes, qui leur ont été concédés pour l'exercice de leur industrie de pêche. Ils pourront y faire des réparations nécessaires à leurs barques et filets, tirer ces derniers à terre et débarquer leurs poissons et produits aquatiques, y saler, sécher, préparer et emmagasiner leurs pêches et cueillettes. Dans ces buts ils auront la liberté d'y construire des bâtiments, magasins, cabanes et sécheries, ou de les déplacer.

Article IV

Les sujets japonais et les sujets russes, qui ont acquis des lots de pêche dans les régions spécifiées à l'Article I de la présente Convention, devront être traités sur le pied d'égalité en tout ce qui concerne les impôts ou taxes qui sont ou seront levés sur le droit de pêche et de préparation des produits de la pêche et le matériel meuble et immeuble nécessaire à cette industrie.

Article V

Le Gouvernement Impérial de Russie ne percevra aucun droit sur les poissons et produits aquatiques pêchés ou pris dans les Provinces du Littoral et de l'Amour, soit que ces poissons et produits aquatiques fussent manufacturés, soit qu'ils ne le fussent pas, lorsqu'ils seront destinés à être exportés au Japon.

Article VI

Aucune restriction ne sera établie à l'égard de la nationalité des personnes employées par les sujets japonais dans la pêche ou dans la préparation des poissons et produits aquatiques dans les régions spécifiées à l'Article I de la présente Convention.

Article VII

En ce qui concerne le mode de préparation des poissons et produits aquatiques, le Gouvernement Impérial de Russie s'engage à ne pas imposer aux sujets japonais des restrictions spéciales dont seraient exempts les sujets russes ayant acquis des lots de pêche dans les régions spécifiées à l'Article I de la présente Convention.

Article VIII

Les sujets japonais qui auront acquis le droit de pêche pourront se rendre directement soit du Japon aux lieux de pêche, soit des dits lieux au Japon, sur les bâtiments munis d'un certificat délivré

au Japon par le Consulat russe compétent, ainsi que d'un certificat de santé délivré par les autorités japonaises.

Les dits bâtiments seront autorisés à transporter, sans impôts ni taxes, d'un lieu de pêche à un autre, les personnes et les objets nécessaires à l'industrie de la pêche, ainsi que les produits de pêche et cueillettes; les bâtiments susmentionnés devront, sous tous les autres rapports, se soumettre aux lois russes de cabotage actuellement en vigueur ou qui seront édictées dans la suite.

Article IX

Les sujets japonais et russes, qui auront acquis des lots de pêche dans les régions spécifiées à l'Article I de la présente Convention, seront placés sur le pied d'égalité par rapport aux lois, règlements et ordonnances actuellement en vigueur ou qui seraient édictés à l'avenir concernant la pisciculture et la protection des poissons et des produits aquatiques, le contrôle de l'industrie y relative et toute autre matière se rapportant à la pêche.

Il sera donné connaissance au Gouvernement japonais des lois et règlements nouvellement édictés au moins six mois avant leur mise en application.

Quant aux ordonnances nouvellement établies, connaissance en sera donnée au Consul japonais à Vladivostok au moins deux mois avant leur mise en vigueur.

Article X

En ce qui concerne les matières qui ne sont pas spécialement désignées dans la présente Convention, mais qui se rapportent à l'industrie de la pêche dans les régions spécifiées à l'Article I de la dite Convention, les sujets japonais seront traités sur le même pied que les sujets russes qui auront acquis des lots de pêche dans les régions susmentionnées.

Article XI

Les sujets japonais pourront se livrer à la préparation des poissons et produits aquatiques dans les lots fonciers qui leur seront loués en dehors des régions spécifiées à l'Article I de la présente Convention, le tout en se soumettant aux lois, règlements et ordonnances qui sont ou qui pourront être en vigueur et applicables à tous les étrangers en Russie.

Article XII

Le Gouvernement Impérial du Japon, en considération des droits de pêche accordés par le Gouvernement Impérial de Russie

aux sujets japonais en vertu de la présente Convention, s'engage à ne frapper d'aucun droit d'importation les poissons et produits aquatiques pêchés ou pris dans les Provinces du Littoral et de l'Amour, soit que ces poissons et produits aquatiques fussent manufacturés, soit qu'ils ne le fussent pas.

Article XIII

La présente Convention restera en vigueur pendant douze ans. Elle sera renouvelée ou modifiée au bout de tous les douze ans, en vertu d'un accord mutuel entre les deux Hautes Parties Contractantes.

Article XIV

La présente Convention sera ratifiée et les ratifications seront échangées à Tokio le plus tôt possible, et en tout cas pas plus tard que quatre mois après sa signature.

En foi de quoi les Plénipotentiaires respectifs ont signé et scellé de leurs sceaux la présente Convention.

Fait à Saint-Petersbourg, en double exemplaire, le quinze (vingt-huit juillet de l'an neuf-cent sept, correspondant au vingt-huitième jour du septième mois de la quarantième année de Meidji.

Ont signé:

Iswolsky.
Goubastoff.

I. MOTONO.

N.B. Several protocols were annexed to the Fishery Convention of 1907, with the object of defining:

- (a) Thirty inlets prohibited to Japanese fishermen (prohibition extending of course only to limit of territorial waters of Russia).
- (b) Four bays also closed to Japanese fishermen for strategic reasons:
 - De Castries Bay;
 - St. Olga Bay;
 - Peter the Great Bay;
 - Possiet Bay.

N.B. An inlet was defined as a bay whose length is three times the width of the mouth. The river Podkagner-naya to Port Ayar on the northern coast of the Sea of Ochotsk was also excluded from the Japanese fishing operations.

The conditions governing fishing in the Amur delta:

- (a) Japanese subjects having acquired fishing grounds are subject to the same laws and regulations regarding the fishing industry as obtain in the Amur basin for Russian subjects having acquired fishing grounds and especially the regulations forbidding the concessionaries of fishing grounds in that area to employ foreign labour.

N.B. It was subsequently explained that labour here does not extend to categories such as inspectors, clerks, &c. It is to be strictly understood as applying to those actually catching fish. (A concession was also made for the employment of foreign labour for preparation of fish, not for employment in catching, on grounds rented on a short lease of one year, if living 1/2 verst from fishing ground.)

Communicated by the Director of the Ministry of Foreign Affairs to Russian representatives abroad.

St. Petersburg, August 30, 1907.

APPENDIX IV

MEMORANDUM SUBMITTED TO THE REPRESENTATIVE OF THE SOVIET UNION BY THE JAPANESE REPRESENTATIVE, AUGUST 29, 1924

Oil Exploitation Operations

I. The exploitation operations are being carried out by the Hokushinkai Co. on behalf of the Government.

II. *Operations:*

	<i>Areas (Acres)</i>
Oha	2,500
Ehabi	1,600
Pilutum	1,200
Nutovo	2,500
Chiavo	1,200
Nuivo	1,600
Vuigrektui	800
Katangli	1,600
	<hr/> 13,000

III. Experts employed 20.

Workers 400 (in summer time)

IV. *Machinery:*

Hydraulic rotary system	3	} For deep boring
Standard cable	5	
Diamond boring	2	} For shallow boring.
Spring boring	10	

V. *Outfit:*

A. *For communication*, telephone lines connecting the several operations.

Wireless stations at Oha and Chiavo.

B. *For Transportation*. One small steamer and several motor boats which are used in summer time for connecting the several operations besides a dozen lighters and junks.

C. *Establishment*. Houses, boiler-houses, oil reservoirs, &c., fuel-oil tanks.

VI. *Light railway:*

None. A trolley line extending for $2\frac{1}{2}$ miles between Urkt Bay and water at Oha and another trolley line extending for about 3 miles between Katangli and Nobil.

VII. *Exportation of Oil.* None.*Colliery Works*I. *Exploiters:*

Doue Mine. The Mitsubishi Co. is working this mine on behalf of the occupation army.

Rogatui Mine: is worked by Staheef and Co. and Mitsubishi as a joint enterprise.

Location of the Mines:

Doue Mine. About 6 miles south of the harbour of Alexandrovsk in the valley of Postvaya close to the sea. There are two level pits now in operation, but no shaft. The output for 1923 was 50,000 tons approximately.

Rogatui Mine. Above 10 miles south of Alexandrovsk Harbour towards the sea. Two pits now in operation, no shaft. The output is 30,000 tons.

II. *Number of experts and workers:*

Doue mine . . . experts 5; workers *c.* 200

Rogatui . . . " 3; " 150

IV. *Machinery.* At Doue mine small locomotives are used for the purpose of transportation of coal. In Rogatui mine no machinery is used. Both digging and transportation being carried on by man-power and on horse-back.

V. *Establishments.* No special establishments for colliery purposes except a little more than a mile of trolley leading from the Doue mine to the seashore and another trolley line less than a quarter of a mile at Rogatui.

VI. *Exportation.* The output of Doue mine is consumed by the occupation army and the people residing within the occupation area. No part of it is taken out of the island. About 30,000 tons output of the Rogatui mine is said to have been exported in 1923 by Mitsubishi and Staheef.

(Signed) YOSHIKAWA.

APPENDIX V

PROTOCOLS REGARDING CONCESSIONS AFFIXED TO SOVIET-JAPANESE AGREEMENT OF 1925

THE Government of the U.S.S.R. agree to place at the disposal of Japanese firms recommended by the Japanese Government concessions for the exploitation of 50 per cent. of the area of each oil-field in North Sakhalin, mentioned in the Memorandum of August 29, 1924. With a view to defining the area to be leased to the Japanese concerns, each of the above-mentioned oil deposits is to be divided in chessboard squares of 15×40 desiatines by which the Japanese will be ascribed a known quantity of these squares.

In regards payment, according to the terms of the Concession, the Japanese concessionaires will annually hand over to the Government of the U.S.S.R. from 5 to 8 per cent. of the production from the coal-mines, and from the oil-fields from 5 to 15 per cent. of production, bearing in mind that in the case of a 'gusher' the rate of payment may be increased to 45 per cent. of production.

APPENDIX VI
FISHERY CONVENTION
BETWEEN JAPAN AND THE UNION OF SOVIET
SOCIALIST REPUBLICS (1928)

HIS MAJESTY THE EMPEROR OF JAPAN and the Central Executive Committee of the Union of Soviet Socialist Republics, for the purpose of concluding a Fishery Convention in conformity with the provisions of Article 3 of the Convention embodying Basic Rules of the Relations between Japan and the Union of Soviet Socialist Republics concluded at Peking on January 20th, 1925, have named their respective Plenipotentiaries, that is to say:

His Majesty the Emperor of Japan:

Tokichi Tanaka, Ambassador Extraordinary and Plenipotentiary to the Union of Soviet Socialist Republics, Joshii, a member of the First Class of the Imperial Order of the Sacred Treasure;

The Central Executive Committee of the Union of Soviet Socialist Republics:

Lev Mikhailovitch Karakhan, People's Deputy Commissary for Foreign Affairs of the Union of Soviet Socialist Republics, and Martin Ivanovitch Lacic, a member of the Collegium of the People's Commissariat for Agriculture of the Russian Socialist Federative Soviet Republic;

Who, after having communicated to each other their respective Full Powers, found to be in good and due form, have agreed upon the following Articles:

Article I

The Union of Soviet Socialist Republics grants to Japanese subjects, in conformity with the stipulations of the present Convention, the right to catch, to take and to prepare all kinds of fish and aquatic products, except fur-seals and sea-otters, along the coasts of the possessions of the Union of Soviet Socialist Republics in the Japan, Okhotsk, and Behring Seas, with the exception of rivers and inlets. The inlets comprised in this exception are enumerated in Article I of the Protocol (A) attached to the present Convention.

Article II

Japanese subjects are at liberty to engage in catching, taking and preparing fish and aquatic products in the fishery lots, lying

both in the sea and on shore, which are specially designated for that purpose. The lease of the said fishery lots shall be granted by public auction, without any discrimination being made between Japanese subjects and citizens of the Union of Soviet Socialist Republics.

It is understood, however, that, as an exception to the foregoing, those fishery lots for which the Governments of the two High Contracting Parties have so agreed may be leased without auction.

The auction of fishery lots shall take place at Vladivostok in February every year, and the date and locality designated for this purpose, as well as the necessary details relating to the lease of various fishery lots to be sold, shall be officially notified to the Japanese Consular officer at Vladivostok at least two months before the auction.

With regard to fishery lots for which there shall have been no successful bidder, they shall again be put up to auction within fifteen days, but not earlier than five days, after the preceding auction.

The catching of whales and codfish, as well as of all the fish and aquatic products which cannot be caught or taken in special lots is permitted to Japanese subjects on board sea-going vessels furnished with a special licence.

Article III

The Japanese subjects who have obtained the lease of fishery lots in conformity with the provisions of Article II of the present Convention shall have, within the limits of those fishery lots, the right to make free use of the littoral. They may there carry out necessary repairs to their boats and nets, haul them ashore, and land, prepare and preserve their catches and collections. For these purposes they shall be at liberty to erect there buildings, warehouses, huts, and drying-sheds or to remove the same.

Article IV

With regard to taxes, imposts and fees to be levied in connexion with the fishing industry, Japanese subjects shall be subject to the following conditions and shall under no circumstances be subject to any treatment less favourable than that accorded to citizens of the Union of Soviet Socialist Republics.

- (1) The amount of the business tax chargeable to Japanese subjects having fishery rights shall not exceed three per cent. of the price on the fishery grounds of fish and aquatic products caught, taken or prepared by them.

- (2) The said Japanese subjects shall be exempted from all kinds of taxes, imposts and fees, except the business tax and the taxes, imposts and fees mentioned in Article 9 of the Protocol (A) attached to the present Convention.
- (3) The payment of the business tax and other taxes, imposts and fees may be arranged by a special agreement between the two Governments.
- (4) No taxes or imposts shall be levied on the income of Japanese employees having their domicile in Japan and engaged in seasonal labour on fishery grounds leased to Japanese subjects.

Article V

The Union of Soviet Socialist Republics shall levy no duties on fish and aquatic products caught or taken in the Far Eastern waters of the Union of Soviet Socialist Republics, whether such fish and aquatic products have or have not undergone a process of manufacture, when they are destined for export from the Union of Soviet Socialist Republics to Japan.

Article VI

No restriction shall be established with regard to the nationality of the employees of Japanese subjects engaged in catching, taking and preparing fish and aquatic products in the districts specified in Article I of the present Convention.

Article VII

So far as concerns methods of preparation of fish and aquatic products, the Union of Soviet Socialist Republics engages not to impose upon the Japanese subjects who have obtained fishery rights in the districts specified in Article I of the present Convention any restriction from which the citizens of the Union of Soviet Socialist Republics who have obtained fishery rights in the said districts are exempt.

Article VIII

The Japanese subjects who have obtained fishery rights may make use of sea-going vessels furnished with a navigation certificate issued in Japan by the competent Consular officer of the Union of Soviet Socialist Republics, as also with a health certificate issued by the Japanese authorities, for the direct navigation from Japan to their fishery grounds, from one of their fishery

grounds to another, as well as from their fishery grounds to Japan; the said vessels may also proceed from the fishery grounds direct to a third state, provided they conform to the formalities required for the exportation to the said state of the fish and aquatic products on board, caught or taken in the Far Eastern waters of the Union of Soviet Socialist Republics.

The above-mentioned vessels shall be at liberty to transport, free of imports and taxation, the persons and things necessary for the fishing industry, as also catches and collections.

The Japanese subjects who have obtained fishery rights may, free of imposts and taxation, transport by land, along shore or by sea, on board fishing boats the above-mentioned persons, things, catches and collections between their own fishery lots or vessels furnished with the licence mentioned in the last paragraph of Article II of the present Convention.

The provisions of the present Article shall equally apply to the case when the respective holders of separate fishery lots or licences make use of a vessel or a boat jointly.

The provisions of the present Article shall apply to the removal of remaining properties in the fishery lots, the lease-term of which has expired, to other fishery lots or to Japan.

The above-mentioned vessels and boats must in all other respects comply with the laws of the Union of Soviet Socialist Republics which are or may be enacted respecting the coasting trade.

Article IX

The Japanese subjects who have obtained fishery rights may freely export to Japan fish and aquatic products caught or taken by Japanese subjects, without any export-licence; they may also export such fish and aquatic products to a third state, conforming to the formalities required for the exportation thereof.

For the exportation of fish and aquatic products bought from the state or other enterprises or citizens² of the Union of Soviet Socialist Republics, the said Japanese subjects shall conform to the formalities required for the exportation thereof.

The said Japanese subjects are at liberty to import the necessities solely intended for use for their fishing industry, as well as for themselves or their employees, without any import-licence.

No duties or imposts shall be levied on the importation of the goods above mentioned; the said goods as well as their quantity will be defined in the list, which shall be formulated every year

in due time by the competent local authorities subject to the approval of the central authorities of the Union of Soviet Socialist Republics.

Article X

With regard to the entry, stay, removal, and departure of the Japanese subjects who have obtained fishery rights, as well as of their employees who are not citizens of the Union of Soviet Socialist Republics, the summary regulations which are or may be enacted by the authorities of the Union of Soviet Socialist Republics shall be applied in the districts specified in Article I of the present Convention; in all other cases, Japanese subjects shall conform to the laws and regulations which are or may be enacted concerning the entry and stay in, and departure from, the Union of Soviet Socialist Republics, of foreigners.

The Japanese subjects and the citizens of the Union of Soviet Socialist Republics who have obtained fishery rights in the districts above mentioned shall be placed on a footing of equality as regards the laws, regulations and ordinances which are or may be enacted concerning pisciculture and the protection of fish and aquatic products, the control of industry germane thereto and all other matters relating to fisheries.

Information of newly enacted laws and regulations, applicable to the fishing industry in the Far Eastern waters of the Union of Soviet Socialist Republics, shall be furnished to the Japanese Government at least three months before they are put in force; information of ordinances of the same nature newly issued by the local authorities of the Union of Soviet Socialist Republics shall be furnished to the Japanese Consular officer at Khabarovsk at least two months before they are put in force.

Article XI

Japanese subjects are at liberty to engage in the preparation of fish and aquatic products in the landed lots leased to them outside the limits of the districts specified in Article I of the present Convention, always complying with the laws, regulations and ordinances which are or may be enacted and applicable to all foreigners in the Union of Soviet Socialist Republics.

Article XII

The Japanese Government, in consideration of fishery rights accorded by the Union of Soviet Socialist Republics to Japanese subjects in virtue of the present Convention, engages not to

impose any import duties on fish and aquatic products caught or taken in the Far Eastern waters of the Union of Soviet Socialist Republics, whether such fish and aquatic products have or have not undergone any process of manufacture.

Article XIII

Recognizing that Japanese employees, with their place of habitation in Japan, are engaged there and return thereto after carrying on labour in the seasonal industry of fishery; that their habits and customs are characteristic of Japanese nationality; that free passage between Japan and fishery grounds and free rations during the whole term of engagement are granted; that a share of catches and collections is given them in addition to regular wages, and that medical aid and other means of relief are provided for free of charge;

The Union of Soviet Socialist Republics agrees to conform to the above-mentioned facts in the application of its laws and regulations regarding the protection and regulation of labour, which are or may be enacted, to the labour of Japanese employees in the fishery grounds leased to Japanese subjects in accordance with the provisions of the present Convention.

Article XIV

So far as concerns matters not specially dealt with in the present Convention, but yet relating to the fishing industry in the districts specified in Article I of the present Convention, Japanese subjects shall be entitled to the same treatment as accorded to the citizens of the Union of Soviet Socialist Republics who have obtained fishery rights in the said districts.

Article XV

The present Convention shall remain in force for eight years and shall be revised or renewed at the end of the said period; thenceforth the Convention shall be revised or renewed at the end of every twelve years.

Either of the High Contracting Parties may give notice to the other of its desire to revise the present Convention, twelve months before the termination of the Convention. Negotiations for the revision shall be concluded within the said twelve months.

Should neither of the High Contracting Parties give notice for such revision, the present Convention shall remain in force for a further period of twelve years.

Article XVI

The present Convention shall be ratified, and the ratifications thereof shall be exchanged at Tokyo at as early a date as possible and in any case not later than four months after its signature.

The Convention shall come into force on the fifth day following the date of the exchange of its ratifications.

In witness whereof the respective Plenipotentiaries have signed the present Convention in duplicate in the English language and have affixed thereto their seals.

Done in the City of Moscow, this 23rd day of January, 1928.

L. KARAKHAN (L.S.)

T. TANAKA (L.S.)

M. LAGIS (L.S.)

PROTOCOL (A)

Article 3

The fishery rights accorded to Japanese subjects in the Liman of the Amur in virtue of the Fishery Convention are subject to the special provisions which follow:

- (1) Japanese subjects may obtain in this district fishery lots by public auction on the same footing as citizens of the Union of Soviet Socialist Republics.
- (2) Japanese subjects who have obtained fishery lots are placed in all respects, so far as the fishing industry is concerned, under the same laws, regulations and ordinances which are or may be enacted respecting river fisheries in the basins of the Amur, as citizens of the Union of Soviet Socialist Republics who are successful bidders for fishery lots, and in particular the provisions which forbid the lessees of fishery lots in this district to employ foreign workmen.

Article 4

Japanese subjects may upon making application therefor obtain in accordance with the provisions of Article II of the Fishery Convention the lease of fishery lots in any part of the districts specified in Article I of the said Convention, submitting to the laws, regulations and ordinances which are or may be enacted in the Union of Soviet Socialist Republics, for the culture and protection of fish, for the control of the industry germane thereto, and for all other matters regarding fisheries in the above-mentioned districts.

In case the species of fish to be caught are not defined in the contract for the lease of fishery lots, the Union of Soviet Socialist Republics shall not impose any restrictions on the species of fish to be caught, unless they are rendered necessary for the protection of fish of the salmon tribe.

Article 5

As regards the transfer of fishery rights between Japanese subjects as well as between Japanese subjects and citizens of the Union of Soviet Socialist Republics, permission shall be given upon application therefor, in conformity with the formalities prescribed by the laws of the Union of Soviet Socialist Republics.

Article 6

The duration of the lease of fishery lots shall be determined as follows:

One year, in the case of lots which have been already opened, but not yet worked, before the coming into force of the Fishery Convention, or of lots opened for the first time since then;

Three years, in the case of lots which have been worked for not less than one year;

Five years, in the case of lots which have been worked for not less than three years.

It is understood that the above-mentioned terms may be modified in the case of fishery lots which may be granted for special lease by virtue of the provisions of the second paragraph of Article II of the Fishery Convention and the instruments attached thereto.

Article 7

The fishery rights, the terms of which shall not have come to an end at the date of the expiration of the term of the Fishery Convention, shall continue to be valid for the whole duration of their terms, whatever may be the decision come to by the two High Contracting Parties concerning the Fishery Convention itself.

Article 8

The fishery lots already existing in the districts specified in Article I of the Fishery Convention shall remain open for exploitation for the whole duration of the Fishery Convention.

Article 9

With regard to the provisions of Paragraph (2) of Article IV of the Fishery Convention, Japanese subjects are liable to the following taxes, imposts and fees:

- (1) The local imposts on means of conveyance (horses, automobiles, bicycles, motor-cycles, and motor-boats not provided with a navigation certificate).
- (2) The fee for inspection certificate for boilers, apparatus worked by pressure, lifts and elevating machines.
- (3) The local imposts on buildings, now in practice in towns, when such imposts are to be applied to localities where there are fishery grounds.
- (4) The stamp-duties, notarial fees, judicial fees and other similar taxes, imposts, and fees, instituted by the central authorities of the Union of Soviet Socialist Republics and having indirect bearing on fishery lots and the equipments of fishery grounds, as well as the local taxes instituted by the local authorities on transactions carried out or registered at an exchange.
- (5) The consular fee and the registration fee concerning entry into, stay in, and departure from, the Union of Soviet Socialist Republics.
- (6) The consular and other official fees for the issue or certification of documents.
- (7) The registration fee for lease contract of fishery lot.
- (8) The imposts on timber sold out from forests.
- (9) The income-tax on profit accruing from sale of fish and aquatic products for consumption in the Union of Soviet Socialist Republics, as also the transportation tax concerned therewith.

Article 10

The Government of the Union of Soviet Socialist Republics engages to maintain, for the duration of the Fishery Convention, its present ruling exempting from duties fish and aquatic products exported from the Far Eastern District of the Union of Soviet Socialist Republics, except in the case when, with regard to a particular third state or states, the duties applicable to goods in general exported thereto are to be altered.

So far as concerns fish and aquatic products reimported into the Union of Soviet Socialist Republics without having been worked upon in Japan, the Government of the Union of Soviet Socialist

Republics engages likewise to maintain, for the duration of the Fishery Convention, its present regulation exempting from duties reimported goods, the produce or manufacture of the Union of Soviet Socialist Republics.

Article 11

The Government of the Union of Soviet Socialist Republics has no objection to the making of manure by Japanese subjects from herrings and other species of fish which are of minor value, as well as from refuse produced in the preparation of fish and aquatic products. Nor has the Government of the Union of Soviet Socialist Republics any objection to Japanese subjects preparing and curing fish of the salmon tribe according to Japanese methods.

Article 12

The navigation certificate mentioned in the first paragraph of Article VIII of the Fishery Convention is to be issued by the Consular officer of the Union of Soviet Socialist Republics on the presentation of:

- (1) Documents certifying the lease of the fishery lot or lots to which the vessel desires to resort.
- (2) A certified list of the persons on board with documents of their identification.
- (3) Documents certifying that the cargo of the vessel consists solely of goods mentioned in the third paragraph of Article IX of the Fishery Convention; in such documents amount of the cargo is also to be indicated.

The following shall be indicated in the navigation certificate:

- (1) The name of the vessel and her port of registry.
- (2) The name of the lease-holder or lease-holders of the fishery lot or lots.
- (3) A precise indication of the fishery lot or lots, to which the vessel desires to resort.
- (4) The nature and amount of the cargo.
- (5) The names of the crew.

Vessels furnished with the above-mentioned certificate and a health certificate are authorized to enter and remain at only those points of the coast of the Union of Soviet Socialist Republics which are mentioned in the navigation certificate. It goes without saying that ports where there is a custom-house are always open to such vessels.

Japanese vessels resorting to the Far Eastern waters of the Union of Soviet Socialist Republics in virtue of the last paragraph of Article II of the Fishery Convention must first put into one of the ports of the Union of Soviet Socialist Republics specially designated, where the competent authorities of the Union of Soviet Socialist Republics shall issue to them a special licence for catching, taking and preparing fish and aquatic products; the said licence shall at the same time take the place of a navigation certificate. The licence may also be obtained through a Consular officer of the Union of Soviet Socialist Republics in Japan; in this case the said vessels shall not be required to proceed to any of the above-mentioned ports.

Article 13

The Government of the Union of Soviet Socialist Republics has no objection to the individual voyage of Japanese fishing boats (*rybolovnyye lodki*) between fishery grounds leased to various Japanese subjects; in the case of the voyage, with or without boats tugged, of fishing boats provided with motors, permission shall be obtained from the local authorities of the Union of Soviet Socialist Republics.

Article 14

Japanese steamers engaged in the fishing industry or in its auxiliary services, within the waters of the Union of Soviet Socialist Republics, shall be provided with a Russian or English translation of the log-book; Japanese sea-going motor or sailing vessels shall conform to the said stipulation so far as it is possible.

Article 15

The Government of the Union of Soviet Socialist Republics guarantees that on formulating and approving the list mentioned in Article IX of the Fishery Convention, the actual requirements of the fishing industry of Japanese subjects shall receive fullest consideration.

Article 16

Japanese subjects fitted for the work of any branches of fishing industry and not exceeding one hundred persons in all, shall have the right to winter in the fishery lots leased to Japanese subjects, provided they conform to laws and regulations relating to the entry and residence in the Union of Soviet Socialist Republics. Watchmen required for wintering in the said fishery lots shall be employed from among citizens of the Union of Soviet Socialist Republics.

Article 17

For catching and taking the fish and aquatic products which may call for protective measures for their propagation, a standard by which the amount of such catching and taking may be limited shall be determined by the authorities of the Union of Soviet Socialist Republics, by taking as a basis of consideration the actual tendency of their propagation both in the rivers and seas of the Union of Soviet Socialist Republics in the Far East.

The employment of 'tateami' shall be authorized in all fishery lots leased to Japanese subjects, except in those lots which are situated in the closest proximity to estuaries; it is also agreed that in the case of the fishery lots last mentioned, the employment of 'tateami' shall be authorized in case fishing with movable nets should prove impracticable there. Moreover, in no fishery lots shall any restriction be imposed on the use of winches, escalators, conveyers, capstans, blocks or other instruments, machines and equipments which facilitate the working of fishing industry.

Article 18

It is understood that the terms 'Japanese subjects' and 'citizens of the Union of Soviet Socialist Republics' employed in the Fishery Convention and in the instruments attached thereto include public and private enterprises of Japan and the Union of Soviet Socialist Republics respectively, and that the term 'citizens of the Union of Soviet Socialist Republics' does not imply local peasants and fishermen enjoying special treatment. It is further understood that, with regard to the matters particularly dealt with in Article IV of the Fishery Convention as well as in Article 9 of the present Protocol, the state enterprises and co-operative societies of the Union of Soviet Socialist Republics are accorded special status.

Article 19

At any time after the auction of the fishery lots in the first year of the duration of the Fishery Convention shall have been conducted, the Government of the Union of Soviet Socialist Republics may grant without auction the lease of fishery lots situated in any part of the districts specified in Article I of the Fishery Convention to the local peasants and fishermen who are now established or may happen to establish themselves there; such grant may be given only in respect of those districts where no application mentioned in Article 4 of the present Protocol shall have been

PROTOCOL (B)

In proceeding this day to the signature of the Fishery Convention between Japan and the Union of Soviet Socialist Republics, the Plenipotentiaries of the two High Contracting Parties have agreed as follows:

In consideration of the provisions of Article XIII of the Fishery Convention, the application of laws and regulations regarding the protection and regulation of labour to Japanese subjects having fishery rights and to their Japanese employees, shall be conditioned as follows:

(1) With regard to the supply by the employer to his employees of the clothing and other articles necessary for their work, as well as of dwellings, the national habits and customs of the employees shall receive due consideration.

(2) A basic amount of wages may be arranged in the Japanese currency and for a whole fishing season, according to the usage in the fishing industry of the Far Eastern District; if the employee so desires, part of the said basic wages shall be paid to him in advance. The said basic wages for the whole season shall, however, not be less than the amount corresponding to fifteen yen a month, even when the employer is responsible by the contract of engagement for the expenses of the employees' transportation and rations, and even when the employer allows his employees an extra pay corresponding to a certain proportion of catches and collections in virtue of the so-called 'kuichi' or similar practice.

The above stipulation having been adopted by taking into consideration the law of the Union of Soviet Socialist Republics concerning minimum wages on one hand and the actual economic and social conditions in Japan on the other, it is agreed that, when the stipulation shall have become inadequate, a necessary readjustment may be made by agreement between the two Governments, with the view to suit new circumstances.

(3) Working hours in the fishery grounds shall as a rule be eight hours a day; however, in view of the special features of the fishing industry and in accordance with the laws of the Union of Soviet Socialist Republics providing for the conditions of working in seasonal labours, the employer may by agreement with his employees put them to work more than eight hours a day, provided he makes an arrangement with the competent local organs of the People's Commissariat of Labour relating to the working hours as well as the wages, even for a whole fishing season.

So far, however, as labour in fishing operations is concerned, at any time of the season, on occasions of an abundance of fish coming in shoals, the employees may, when they so agree, be put to work outside regular hours, on holidays and at night-time, for which no arrangement with the above-mentioned organs of the People's Commissariat of Labour is to be required.

As regards labour in canning operations, the above paragraph is applicable only in the case when, owing to excessive accumulation of catches on occasions of an abundance of fish coming in shoals, extra work is necessitated in order to prevent the quality of the products from being deteriorated, subject to the condition that the employers concerned shall inform the local labour organs as soon as possible and in any case before the closing of the fishing season of the corresponding year, of the conditions of the agreement made between the employers and employees regarding the extra work.

(4) (a) In case the employer owes the obligation to pay the social insurance premium in accordance with the laws of the Union of Soviet Socialist Republics, his employees, even after their return to Japan, or their families in Japan shall enjoy the same rights as citizens of the Union of Soviet Socialist Republics or their families residing in the Union of Soviet Socialist Republics.

(b) In case the social insurance is due to Japanese subjects or their families residing in Japan, it shall be paid to them by the Government of the Union of Soviet Socialist Republics through its Consular officers in Japan, within four months after the social insurance premium for the season shall have been paid.

(c) In all calculations and payments pertaining to the social insurance, the respective mint value of the currencies of Japan and the Union of Soviet Socialist Republics shall be taken into account instead of the current rates of exchange.

(d) The employer's obligation for social insurance shall be limited to the following three categories:

- I. when the employee is temporarily incapacitated for work;
- II. when the employee is invalided or dies because of an accident;
- III. when the employee needs medical treatment.

(e) The employer shall be exempt from the payment of the premium for the case III of the section (d), in case he undertakes in agreement with the sanitary authorities of the Union of Soviet Socialist Republics the supply of medical aid.

The employer shall be exempt from the payment of the

premium for the cases I and II of the section (d), in the case when in accordance with the regulations approved by the Japanese authorities, such measures of relief shall be undertaken by a group of employers or other organizations as shall prove equally or more favourable to the employees compared with those provided for in the social insurance of the Union of Soviet Socialist Republics.

(5) It may be stipulated in the contract of engagement that, when the employee shall have cancelled the contract on his own volition, he shall bear the expenses of passage from the fishery ground to Japan, it being understood that the employer shall be responsible for the employee's embarkation for Japan.

When the employer shall have dismissed his employee on his fishery ground, the employer shall pay the expenses of the latter's return to Japan.

As a matter of course, a stipulation may be included in the said contract of engagement for payment of an indemnity in the case when the employer or employee shall not, without due cause carry out the contract before the employee's departure from Japan.

The provisions of the present Protocol shall be subject to change or supplement by a mutual agreement which may be arranged between the two Governments.

The present Protocol is to be considered as ratified with the ratification of the Fishery Convention signed this day and shall have the same duration as that Convention.

It witness whereof the respective Plenipotentiaries have signed the present Protocol in duplicate in the English language and have affixed thereto their seals.

Done in the City of Moscow, this 23rd day of January, 1928.

	L. KARAKHAN (L.S.)
T. TANAKA (L.S.)	M. LACIS (L.S.)

PROTOCOL (C)

In proceeding this day to the signature of the Fishery Convention between Japan and the Union of Soviet Socialist Republics, the Plenipotentiaries of the two High Contracting Parties have agreed as follows:

The establishment and operation of canning factories by Japanese subjects having fishery rights, in the districts specified in Article I of the Fishery Convention, shall be conditioned as follows, provided that, in all that concerns the canning industry, Japanese subjects shall not be placed in a position less favourable

than that accorded to private persons or enterprises of the Union of Soviet Socialist Republics.

(A) In the fishery lots leased by auction to Japanese subjects, they may establish and operate canning factories during fishing seasons of their lease-term, by giving notice in advance to the competent authorities of the Union of Soviet Socialist Republics, and subject to the application of the provisions of Sections (1), (2), (6), (7), and (9) of Paragraph (B) of the present Protocol.

(B) For the operation of the canning factories owned by Japanese subjects and actually existing at the time of conclusion of the Fishery Convention, special contracts shall be concluded between the competent authorities of the Union of Soviet Socialist Republics and the Japanese subjects concerned in conformity with the following conditions:

(1)

Japanese subjects are at liberty to make alterations in the scope and equipments of their canning factories, provided that, when such alterations are made, they shall make notification thereof to the competent authorities of the Union of Soviet Socialist Republics, in accordance with the formalities prescribed by the regulation of the Union of Soviet Socialist Republics. Moreover, they shall not be prohibited or restricted to transport fish and aquatic products from fishery lots granted to other lessees to the said canning factories, or to prepare them.

(2)

All the properties not belonging to the Government or citizens of the Union of Soviet Socialist Republics in the fishery lots where canning factories are found may, after the expiration of the term of special contracts, either be transported by the Japanese subjects concerned to other fishery lots or outside the Union of Soviet Socialist Republics, or, with the permission of the Government of the Union of Soviet Republics, be sold off within the territory of the Union of Soviet Socialist Republics; in case the said properties shall not have been disposed of as above mentioned, within one year after the expiration of the said contracts, they shall come into the possession of the Government of the Union of Soviet Socialist Republics without compensation.

(3)

For the operation of the canning factories now in existence, each canning factory shall be provided with the fishery lot where the

factory is situated and also with another fishery lot lying in the neighbourhood, both of which are to be leased without auction in accordance with the provisions of the second paragraph of Article II of the Fishery Convention.

In case Japanese subjects make application to the competent authorities of the Union of Soviet Socialist Republics for the lease of fishery lots for the purpose of establishing therein canning factories, in accordance with the provisions of the second paragraph of Article II of the Fishery Convention, the Government of the Union of Soviet Socialist Republics will agree to enter into negotiations with the Japanese Government, with a view to granting such lease so far as the circumstances permit.

(4)

The term of special contracts concerning the canning factories mentioned in Section (3) shall be ten years.

As regards measures to be taken with respect to the canning factories after the expiration of the term of the said special contracts, the two Governments shall enter into negotiations on this question either on occasion of the negotiations for the revision of the Fishery Convention, or one year before the said expiration.

(5)

Japanese subjects who desire to conclude the special contracts mentioned in Section (4) shall be recommended by the Japanese Government to the competent authorities of the Union of Soviet Socialist Republics.

(6)

The special royalty (*dolevoe otchislenie*) for the operation of canning factories shall be calculated in the gold currency of the Union of Socialist Republics at the following rates for the actual amount of the fish and aquatic products prepared in the canning factories concerned:

1. For red salmon, 20 copecks per case.
2. For silver salmon, king salmon and dog salmon, 16 copecks per case.
3. For humpback-salmon, 9 copecks per case.
4. For crabs, 40 copecks per case.

It is understood in this connexion that one case of canned goods contains 48 cans of 1 lb. each or 96 cans of half a pound each. The said special royalty, together with the taxes, imposts and hand fees chargeable thereon, shall be paid in December every year.

The above-mentioned rates of the special royalty may be altered by mutual agreement, in case the market price of the respective merchandise now obtaining has considerably changed.

(7)

As regards taxes, imposts and fees, the provisions of Article IV of the Fishery Convention as well as those of the instruments attached thereto shall be applicable, it being understood in this connexion that the term 'royalty' employed in the said instruments shall be held to include the royalty for the lease of fishery lots and the special royalty (*dolevoe otchislenie*) for the operation of canning factories provided for in Section (6).

(8)

For the purpose of determining the amount of ordinary royalty for the fishery lots leased in accordance with the provision of Section (3), the following method shall be adopted:

Every three years shall be taken, as a standard, fishery lots amounting so far as practicable to four in all, which are leased by auction and lie in the closest proximity to the fishery lots appertaining to canning factories and where the same kinds of fish are caught as in the latter, and the quotient obtained through dividing the sum total of the royalty for their lease by the sum total of their standard amounts of catch shall be considered as basic unit; the royalty in question shall be computed expressed in the gold currency of the Union of Soviet Socialist Republics by multiplying the said basic unit by the standard amount of catch assigned to the fishery lots concerned.

(9)

In all that concerns the operation of canning factories and fishery lots and which is not specifically dealt with in the present Protocol, the provisions of the Fishery Convention and the instruments attached thereto shall be applicable.

(10)

For the purpose of concluding special contracts concerning the canning factories now in existence, the Japanese subjects concerned shall as soon as possible apply to the competent authorities of the Union of Soviet Socialist Republics for the opening of negotiations with a clear indication of the fishery lots which they

APPENDIX VII

AGREEMENT ON GENERAL PRINCIPLES FOR THE SETTLEMENT OF THE QUESTIONS BETWEEN THE REPUBLIC OF CHINA AND THE UNION OF SOVIET SOCIALIST REPUBLICS (1924)

THE Republic of China and the Union of Soviet Socialist Republics, desiring to re-establish normal relations with each other, have agreed to conclude an agreement on general principles for the settlement of the questions between the two countries, and have to that end named as their Plenipotentiaries, that is to say:

His Excellency the President of the Republic of China: Vi Kyuin Wellington Koo.

The Government of the Union of Soviet Socialist Republics: Lev Mikhailovitch Karakhan.

Who having communicated to each other their respective full powers, found to be in good and due form, have agreed upon the following Articles:

Article I. Immediately upon the signing of the present Agreement, the normal diplomatic and consular relations between the two Contracting Parties shall be re-established.

The Government of the Republic of China agrees to take the necessary steps to transfer to the Government of the Union of Soviet Socialist Republics the Legation and Consular buildings formerly belonging to the Tsarist Government.

Article II. The Governments of the two Contracting Parties agree to hold within one month after the signing of the present Agreement a Conference which shall conclude and carry out detailed arrangements relative to the questions as provided in the following articles.

Such detailed arrangements shall be completed as soon as possible and in any case, not later than six months from the date of the opening of the Conference as provided in the preceding paragraph.

Article III. The Governments of the two contracting Parties agree to annul at the Conference as provided in the preceding Article, all Conventions, Treaties, Agreements, Protocols, Contracts, etcetera, concluded between the Government of China and the Tsarist Government and to replace them with new treaties,

agreements, etcetera, on the basis of equality, reciprocity and justice, as well as the spirit of the Declarations of the Soviet Government of the years of 1919 and 1920.

Article IV. The Government of the Union of Soviet Socialist Republics, in accordance with its policy and Declarations of 1919 and 1920, declares that all Treaties, Agreements, etcetera, concluded between the former Tsarist Government and any third party or parties affecting the sovereign rights or interests of China are null and void.

The Governments of both Contracting Parties declare that in future neither Government will conclude any treaties or agreements which prejudice the sovereign rights or interests of either Contracting Party.

Article V. The Government of the Union of Soviet Socialist Republics recognizes that Outer Mongolia is an integral part of the Republic of China and respects China's sovereignty therein.

The Government of the U.S.S.R. declares that as soon as the questions for the withdrawal of all the troops of the U.S.S.R. from Outer Mongolia—namely, as to the time-limit of the withdrawal of such troops and the measures to be adopted in the interests of the safety of the frontiers—are agreed upon at the Conference as provided in Article II of the present Agreement, it will effect the complete withdrawal of all the troops of the U.S.S.R. from Outer Mongolia.

Article VI. The Governments of the two Contracting Parties mutually pledge themselves not to permit, within their respective territories the existence and/or activities of any organizations or groups whose aim is to struggle by acts of violence against the Governments of either Contracting Party.

The Governments of the two Contracting Parties further pledge themselves not to engage in propaganda directed against the political and social systems of either Contracting Party.

Article VII. The Governments of the two Contracting Parties agree to redemarcate their national boundaries at the Conference as provided in Article II of the present Agreement, and pending such redemarcation, to maintain the present boundaries.

Article VIII. The Governments of the two Contracting Parties agree to regulate at the aforementioned Conference the questions relating to the navigation of rivers, lakes and other bodies of water which are common to their respective frontiers, on the basis of equality and reciprocity.

Article IX. The Governments of the two Contracting Parties

agree to settle at the aforementioned Conference the question of the Chinese Eastern railway in conformity with the principles as hereinafter provided:

(1) The Governments of the two Contracting Parties declare that the Chinese Eastern Railway is a purely commercial enterprise. The Governments of the two Contracting Parties mutually declare that with the exception of matters pertaining to the business operations which are under the direct control of the C.E.R., all other matters affecting the rights of the National and the Local Governments of the Republic of China—such as judicial matters, matters relating to civil administration, military administration, police, municipal government, taxation, and landed property (with the exception of lands required by the said Railway) shall be administered by the Chinese Authorities.

(2) The Government of the U.S.S.R. agrees to the redemption by the Government of the Republic of China, with Chinese capital, of the Chinese Eastern Railway, as well as all appurtenant properties, and to the transfer to China of all shares and bonds of the Railway.

(3) The Governments of the two Contracting Parties shall settle at the Conference as provided in Article II of the present Agreement the amount and conditions governing the redemption as well as the procedure for the transfer of the C.E.R.

(4) The Government of the U.S.S.R. agrees to be responsible for the entire claims of the shareholders, bondholders, and creditors of the C.E.R. incurred prior to the Revolution of March 9th, 1917.

(5) The Governments of the two Contracting Parties mutually agree that the future of the C.E.R. shall be determined by the Republic of China and U.S.S.R. to the exclusion of any third party or parties.

(6) The Governments of the two Contracting Parties agree to draw up an arrangement for the provisional management of the C.E.R. pending the settlement of the questions as provided under Section (3) of the present Article.

(7) Until the various questions relating to the C.E.R. are settled at the Conference as provided in Article II of the present Agreement, the rights of the two Governments arising out of the Contract of August 27th/September 8th, 1896, for the Construction and Operation of the C.E.R., which do not conflict with the present Agreement and the Agreement for the Provisional Management of the said Railway, and which do not prejudice China's rights of sovereignty, shall be maintained?

Article X. The Government of the U.S.S.R. agrees to renounce the special rights and privileges relating to all Concessions in any part of China acquired by the Tsarist Government under various Conventions, Treaties, Agreements, etcetera.

Article XI. The Government of the U.S.S.R. agrees to renounce the Russian portion of the Boxer Indemnity.

Article XII. The Government of the U.S.S.R. agrees to relinquish the rights of extraterritoriality and consular jurisdiction.

Article XIII. The Governments of the two Contracting Parties agree to draw up simultaneously with the conclusion of a Commercial Treaty at the Conference as provided in Article II of the present Agreement a Customs Tariff for the two Contracting Parties in accordance with the principles of equality and reciprocity.

Article XIV. The Governments of the two Contracting Parties agree to discuss at the aforementioned Conference the questions relating to the claims for the compensation of losses.

Article XV. The present Agreement shall come into effect from the date of signature.

In witness whereof, the respective plenipotentiaries have signed the present Agreement in duplicate in the English language and have affixed thereto their seals.

Done at the City of Peking this Thirty-First Day of the First Month of the Thirteenth Year of the Republic of China, which is the Thirty-First Day of May One Thousand Nine Hundred and Twenty-Four.

(Seal) V. K. WELLINGTON KOO.

(Seal) L. M. KARAKHAN.

APPENDIX VIII

DOCUMENTS CONCERNING THE C.E.R.

A. *Contract for the Construction and Operation of the Chinese Eastern Railway, September 8, 1896*

(Translated from the authentic French text)

BETWEEN the undersigned: His Excellency Hsü Ching-ch'eng, Minister Plenipotentiary of His Majesty the Emperor of China, at St. Petersburg, acting by virtue of an Imperial Edict, dated Kuang Hsü, 22nd year, 7th month, 20th day (August 16:28. 1896), of the one part, and the Russo-Chinese Bank, of the other part, it has been agreed as follows:

The Chinese Government will pay the sum of five million Kuping taels (Kuping Tls. 5,000,000) to the Russo-Chinese Bank, and will participate in proportion to this payment in the profits and losses of the Bank on conditions set forth in a special contract.

The Chinese Government having decided upon the construction of a railway line, establishing direct communication between the city of Chita and the Russian South Ussuri Railway, entrusts the construction and operation of this railway to the Russo-Chinese Bank upon the following conditions:

(1) The Russo-Chinese Bank will establish for the construction and operation of this railway a company under the name of the Chinese Eastern Railway Company.

The seal which this Company will employ will be given to it by the Chinese Government. The statutes of this Company will be co-ordinated with the Statutes of Russian railway companies. The shares of the Company can be acquired only by Chinese and Russian subjects. The president of this Company will be named by the Chinese Government, but paid by the Company. He may have his residence in Peking.

It will be the duty of the president to see particularly to the scrupulous fulfilment of the obligations of the Bank and of the Railway Company towards the Chinese Government; he will furthermore be entrusted with the conduct of the relations of the Bank and of the Railway Company with the Chinese Government and the central and local authorities.

The president of the Chinese Eastern Railway Company will likewise be entrusted with the examination of all accounts of the Chinese Government with the Russo-Chinese Bank.

To facilitate local negotiations, the Russo-Chinese Bank will maintain an agent at Peking.

(2) The route of the line will be determined by the deputies of the president (named by the Chinese Government) of the Company, in mutual agreement with the engineers of the Company and the local authorities. In laying out this line, cemeteries and tombs, as also towns and villages, should so far as possible be avoided and passed by.

(3) The Company must commence the work within a period of twelve months from the day on which this contract shall be sanctioned by Imperial decree and must so carry it on that the whole line will be finished within a period of six years from the day on which the route of the line is definitely established and the lands necessary therefor are placed at the disposal of the Company. The gauge of the line shall be same as that of the Russian railways (5 Russian feet—about four feet, two and one-half inches, Chinese).

(4) The Chinese Government will give orders to the local authorities to assist the Company to the extent of their ability in obtaining, at current prices, the material necessary for the construction of the railway, as also labourers, means of transport by water and land, the provisions necessary for the feeding of men and animals, &c.

The Chinese Government shall as needed take measures to facilitate such transportation.

(5) The Chinese Government will take measures to assure the safety of the railway and of the persons in its service against any attack.

The Company will have the right to employ at will as many foreigners or natives as it may find necessary for the purpose of administration, &c.

Criminal cases, lawsuits, &c., upon the territory of the railway, must be settled by the local authorities in accordance with the stipulations of the treaties.

(6) The lands actually necessary for the construction, operation and protection of the line, as also the lands in the vicinity of the line necessary for procuring sand, stone, lime, &c., will be turned over to the Company freely, if these lands are the property of the State; if they belong to individuals, they will be turned over to the Company either upon a single payment or upon an annual rental to the proprietors, at current prices. The lands belonging to the Company will be exempt from all land taxes.

The Company will have the absolute and exclusive right of administration of its lands.

The Company will have the right to construct on these lands buildings of all sorts, and likewise to construct and operate the telegraphs necessary for the needs of the line.

The income of the Company, all its receipts and the charges for the transportation of passengers and merchandise, telegraphs, &c., will likewise be exempt from any tax or duty. Exception is made, however, as to the mines, for which there will be a special arrangement.

(7) All goods and materials necessary for the construction, operation and repair of the line, will be exempt from any tax or customs duty and from any internal tax or duty.

(8) The Company is responsible that the Russian troops and war material despatched in transit over the line, will be carried through directly from one Russian station to another, without any pretext for stopping on the way longer than is strictly necessary.

(9) Passengers who are not Chinese subjects, if they wish to leave the territory of the railway shall be supplied with Chinese passports. The Company is responsible that passengers, who are not Chinese subjects, shall not leave the territory of the railway if they do not have Chinese passports.

(10) Passengers' luggage as well as merchandise despatched in transit from one Russian station to another, will not be subject to customs' duties; they will likewise be exempt from any internal tax or duty. The Company is bound to despatch such merchandise, except passengers' baggage, in special cars, which, on arrival at the Chinese frontier, will be sealed by the office of the Chinese Customs, and cannot leave Chinese territory until after the officer of the Customs shall satisfy himself that the seals are intact; should it be established that these cars have been opened on the way without authorization the merchandise will be confiscated.

Merchandise transported into China by the railway, and likewise exported from China into Russia by the same route, will respectively pay the import and export duty of the Chinese Maritime Customs, less one-third.

If merchandise is transported into the interior it will pay in addition the transit duty—equivalent to a half of the import duty collected—which frees it from any other further charge.

Merchandise not paying the transit tax will be subject to all the barrier and likin duties imposed in the interior.

The Chinese Government must install customs offices at the two frontier points on the line.

(11) The charges for the transportation of passengers and merchandise, as well as for the loading and unloading of merchandise, are to be fixed by the Company, but it is obliged to transport free of charge the Chinese official letter post, and, at half price, Chinese land or sea forces and also Chinese war materials.

(12) The Chinese Government transfers to the Company the complete and exclusive right to operate the line on its own account and risk, and so that the Chinese Government will in no case be responsible for any deficit whatsoever of the Company, during the time allotted for the work and thereafter for a further eighty years from the day on which the line is finished and traffic is in operation. This period having elapsed, the line, with all its appurtenances, will pass free of charge to the Chinese Government.

At the expiration of thirty-six years from the day on which the entire line is finished and traffic is in operation, the Chinese Government will have the right to buy back this line upon repaying in full all capital involved as well as all the debts contracted for this line, plus accrued interest.

If—in case the profit realized exceeds the dividends allowed to the shareholders—a part of such capital is repaid, that part will be deducted from the price of repurchase. In no case may the Chinese Government enter into possession of this line before the appropriate sum is deposited in the Russian State Bank.

The day when the line is finished and traffic is in operation, the Company will make to the Chinese Government a payment of five million Kuping taels (Tls. 5,000,000).

KUANG Hsü, 22nd year, 8th month, 2nd day.

(Signed) SHU (Hsü)

Berlin, August 27/September 8, 1896.

RUSSO-CHINESE BANK

(Signed) ROTHSTEIN

(Signed) PRINCE OUKHTOMSKY.

B. Statutes of the Chinese Eastern Railway (Approved by the Russian Government at St. Petersburg on December 16, 1896)

(Translated from the Russian text)

1. *Formation of the Company.* On the strength of the Agreement concluded on August 27/September 8th, 1896, by the Imperial Chinese Government with the Russo-Chinese Bank, a Company

is formed under the name of the 'Chinese Eastern Railway Company' for the construction and working of a railway, within the confines of China from one of the points on the western borders of the province of Hei-lung kiang to one of the points on the eastern borders of the province of Kirin, and for the connexion of this railway with those branches which the Imperial Russian Government will construct to the Chinese frontier from the Transbaikal and the Southern Ussuri lines. (Observation: The Company is empowered, subject to the sanction of the Chinese Government, to exploit in connexion with the railway or independently of it, coal-mines, and also to exploit in China other enterprises—mining, industrial and commercial. In so far as the working of these enterprises will be quite independent of the railway, the Company shall keep for them accounts separate from those of the railway. The formation of the Company shall be undertaken by the Russo-Chinese Bank.)

With the formation of the Company all rights and obligations are transferred to it in regard to the construction and working of the line ceded in virtue of the above-named Agreement of August 27th/September 8th, 1896.

The Company shall be recognized as formed on the presentation to the Minister of Finances of a warrant of the State Bank certifying the payment of the first instalment of the shares. In any case such payment must be made not later than two months from the day of confirmation of the present statutes.

The succeeding instalments on the shares shall be paid in such order of gradation that the shares shall be fully paid up at their nominal value not later than one year from the day of formation of the Company. Owners of shares of the Company may only be Russian and Chinese subjects.

2. *Term of Concession.* In virtue of the Agreement with the Chinese Government, the Company shall retain possession of the Chinese Eastern Railway during the course of eighty years from the day of the opening of traffic along the whole line.

3. *Obligations towards the Russian Government.* In recognition that the enterprises of the Chinese Eastern Railway will be realized only owing to the guarantee given by the Russian Government in regard to the revenue of the line, for covering working expenses as well as for effecting the obligatory payments on the bonds, the Company, on its part, binds itself to the Russian Government during the whole time of the concession (2) under the following obligations:

(a) The Chinese Eastern Railway with all its appurtenances

and rolling-stock must be always maintained in full order for satisfying all the requirements of the service of the line, in regard to the safety, comfort, and uninterrupted conveyance of passengers and goods.

(b) The traffic on the Chinese Eastern Railway must be maintained conformably with the degree of traffic on the Russian railway lines adjoining the aforesaid line.

(c) The trains of all descriptions running between the Russian Transbaikal and Ussuri lines shall be received by the Chinese Eastern Railway and dispatched to their destination in full complement without delay.

(d) All through trains, both passenger and goods, shall be dispatched by the Chinese Eastern Railway at rates of speed not lower than those which shall be adopted on the Siberian Railway.

(e) The Chinese Eastern Railway is bound to establish and maintain a telegraph along the whole extent of the line and to connect it with the telegraph-wire of the Russian adjoining railways, and to receive and dispatch without delay through telegrams sent from one frontier station of the line to another, as also telegrams sent from Russia to China, and conversely.

(f) Should, with the development of traffic on the Chinese Railway its technical organization prove insufficient for satisfying the requirements of a regular and uninterrupted passenger and goods traffic, the Chinese Eastern Railway shall immediately on receipt of a notification on the part of the Russian railways to augment its capacity to a corresponding degree, adopt the necessary measures for further developing its technical organization and the traffic on it. In the event of difference of opinion arising between the above-mentioned railways, the Chinese Eastern Railway shall submit to the decision of the Russian Minister of Finances. If the means at the command of the Chinese Eastern Railway prove insufficient for carrying out the necessary work of its development the Board of Management of the Railway may at all times apply to the Russian Minister of Finances for pecuniary assistance on the part of the Russian Government.

(g) For all transit conveyance of passengers and goods, as also for the transmission of telegrams, there will be established by agreement of the Company with the Russian Government, for the whole term of duration of the concession (2), maximum tariffs, which cannot be raised without the consent of the Russian Government during the whole term above referred to. Within these limits the tariffs of direct communication both for railway

carriage and telegrams will be fixed by the Board of Management of the Company on the strength of a mutual agreement with the Russian Minister of Finance.

(h) The Russian letter- and parcels-post, as also the officials accompanying the same, shall be carried by the Chinese Eastern Railway free of charge; for this purpose the Company shall set apart in each ordinary passenger train a carriage compartment of three 'sajens' (21 feet) in length. The Russian postal authorities may, moreover, if they deem it necessary, place on the line postal carriages, constructed by them at their own cost; and the repair, maintenance (interior fittings excepted) as well as the running of such carriages with the trains shall be free of charge and at the cost of the railway.

The above-mentioned engagements, by which, as already stated, the grant of a guarantee by the Russian Government is conditioned as well as the consequent realization of the enterprise of the Chinese Eastern Railway, shall be binding on the railway until the same, after the expiration of the eighty years' term of the concession, shall without payment become the property of the Chinese Government (29). The redemption of the line from the Company before the above-mentioned term in accordance with § 30 of the present statutes shall not in any way diminish the effect of the above specified engagements, and these latter, together with the railway shall be transferred to its new proprietor.

In the same manner during the course of the whole eighty years' term of the concession (2), the following privileges granted to the railway by the Imperial Government shall remain in force:

(a) Passengers' luggage as also goods carried in transit from one Russian station to another shall not be liable to any Chinese customs duties, and shall be exempt from all internal Chinese dues and taxes.

(b) The rates for the carriage of passengers and goods, for telegrams, &c., shall be free from all Chinese taxes and dues.

(c) Goods imported from Russia into China by rail and exported from China to Russia in the same manner, shall pay respectively an import or export Chinese duty to the extent of one-third less as compared with the duty imposed at Chinese sea-port custom-houses.

(d) If goods imported by the railway are destined for conveyance inland they shall in such case be subject to payment of transit duties to the extent of one-half of the import duty levied

on them, and they shall then be exempted from any additional imposts. Goods which shall not have paid transit duty shall be liable to payment of all established internal barrier and likin dues.

4. *Immunities of the Company in regard to Russian customs dues.* In regard to the place of acquisition of materials for the requirements of the railway, the Company shall not be liable to any limitations. If materials be obtained beyond the confines of Russia, they shall, on importation through Russian territory, be freed from payment of Russian customs duties.

5. *Technical Conditions: Periods of Time for the Commencement and Termination of the work.* The breadth of the railway track must be the same as that of the Russian lines (5 feet). The Company must commence the work not later than the 16th (29th n.s.) of August 1897, and conduct it in such a manner that the whole line shall be completed not later than six years from the time when the direction of the line shall be finally determined and the necessary land assigned to the Company. When tracing the line of the railway, cemeteries and graves, as also towns and villages, must as far as possible be avoided by the railway. When affecting the connexion in accordance with § 1 of these Statutes, of the Chinese Eastern Railway with the Russian Transbaikal and South Ussuri lines, the Company shall have the right, with a view of reduction of expenditure, of abstaining from building its own frontier-stations and of utilizing the frontier-stations of the above-mentioned Russian Lines. The conditions on which they shall be utilized shall be determined by agreement of the Board of the Company with the Boards of the respective railways.

6. *Tariffs.* The tariffs for the carriage of passengers and goods, as also for supplementary carriage rate, shall be determined by the Company itself, within the limits indicated in § 3.

7. *Order of Examination of Legal Suits, and the Establishment of Rules for Railway Conveyance.* Offences, litigation, &c., on the territory of the Chinese Eastern Railway, shall be dealt with by local authorities, Chinese and Russian, on the basis of existing Treaties. In regard to the carriage of passengers and goods, the responsibility for such conveyance, the courts empowered to decide claims, the lapse of time for the presentation of claims, the order of recovering money from the railway when adjudged, and the relations of the railway to the public, shall be defined in rules drawn up by the Company and established before the opening of railway traffic; these rules shall be framed in accordance with those existing on Russian railways.

8. *Maintenance of Security and Order on the Railway.* The Chinese Government has undertaken to adopt measures for securing the safety of the railway and of all employed on it against any extraneous attack. The preservation of law and order on the lands assigned to the railway and its appurtenances shall be confined to police agents appointed by the Company. The Company shall for this purpose draw up and establish police regulations.

9. *Foundation Capital of the Company.* The whole amount of the capital of the Company shall be determined according to the cost of construction calculated on the basis of estimates framed when the survey of the line is carried out. The foundation capital shall be charged with:

(a) The payment of interest and amortization of the foundation capital during the construction of the railway;

(b) The purchase from the Russian Government of the results of the surveys of the direction of the railway to Manchuria, which were made by Russian engineers, the sum payable for these surveys being determined by agreement of the Russian Ministers of Finance with the Company.

The capital of the Company shall be formed by the issue of shares and bonds.

10. *Bond Capital: Guarantee of Russian Government on Bonds.* The remaining portion of the capital of the Company will be formed by the issue of bonds. The bonds will be issued as required and each time with the special sanction of the Minister of Finances. The nominal amount and value of each separate issue of bonds, the time and condition of the issue, as also the form of these bonds, shall be subject to the sanction of the Minister of Finances. The Russian Government will guarantee the interest on and the amortization of the bonds. For the realization of these bonds the Company must have recourse to the Russo-Chinese Bank, but the Russian Government reserves to itself the right of appropriating the bond loan at a price which shall be determined between the Company and Bank, and to pay the Company the agreed amount in ready money.

12. *Guarantee of Realized Bond Capital.* As payments are received for bonds guaranteed by the Russian Government, the Company shall be bound to keep such sums, or interest-bearing securities purchased with the same by permission of the Russian Minister of Finances under the special supervision of the Russian Ministry of Finances. Out of the above receipts the Company shall have the right to make the following payments:

(a) According to the actual fulfilment of work in progress and execution of orders, and at the time when various expenditures shall become necessary, such payments to be made on the scale and on the conditions specified in the working estimates.

(b) During the construction of the line, of interest, as it becomes due, on the bonds issued by the Company, subject to the conditions of their issue, and the Company shall pay the sums necessary for the above purpose within the limits of the amount realized by it in the issue of its bonds.

13. *Shares.* On the payment of the first allotment on the shares, the founders shall receive temporary certificates on which subsequently when the Board of Management of the Company shall have been formed, the receipt of the further instalments on the shares will be inscribed. When the shares shall be fully paid up, the temporary certificates issued to the founders shall be replaced by shares. The shares of the Company are issued to bearer, under the signature of not fewer than three members of the Board of Management. To the shares will be attached a coupon sheet for the receipt once yearly under them of any dividend that may be payable. On the coupon sheet becoming exhausted new sheets will be issued. A dividend on the shares out of the net profits of any year, supposing such accrue, shall be payable on the adoption by the general meeting of share-holders of the annual report for that year, and the dividend shall be payable at the offices of the Company, or at such places which it may indicate. The Company shall notify, for general information in the *Official Gazette* and in the *Finance Messenger*, as also in the Chinese newspapers, and also in other newspapers selected at the shareholders' meeting, the amount and place of payment of the dividend.

14. *Reserve Capital.* The reserve capital is destined:

(a) For the capital repair of the railway, its buildings and appurtenances:—

(b) For defraying extraordinary expenditure of the Company in repairing the railway and its appurtenances. The reserve capital of the Company is formed out of annual sums put aside from the net profits of the working of the railway. The reserve capital must be kept in Russian State interest-bearing securities or in railway bonds guaranteed by the Russian Government. At the expiration of the term of possession of the railway by the Company the reserve capital shall be first of all employed in the payment of the debts of the Company, including among them sums due to the Russian Government, if such exist; after the debt of the Company

shall have been paid the remainder of the reserve capital of the railway shall be divided among the shareholders: in the event of the redemption of the railway by the Chinese Government the reserve capital becomes the property of the shareholders.

15. *Net Revenue.* The net revenue of the Company shall be the remainder of the gross receipts, after the deduction of working expenses. Under these expenses are classed:

(a) General outlays, including assignments towards pension and relief funds, if such be established on the line;

(b) Maintenance of the staff of the Board of Management and of all the services—as also the maintenance of employees and labourers not on the permanent list;

(c) Outlays for materials and articles used for the railway, as also expenditure in the shape of remuneration for the use of buildings, rolling-stock, and other various requisites, for the purposes of the railway;

(d) Outlays for the maintenance, repair and renewal of the permanent way, works of construction, buildings, rolling-stock, and other appurtenances of the railway;

(e) Expenditure connected with the adoption of the measures and instructions of the Board of Management for insuring the safety and regularity of the railway service;

(f) Expenditure for the improvement and development of the railway as also for creating and developing its resources.

16. *Additional payments by the Russian Government under the guarantee, and the order of settlement of accounts between the Company and the Russian Government in respect of these additional payments.* Should the gross receipts of the railway prove insufficient for defraying the working expenses and for meeting the yearly payments due on the bonds, the Company will receive the deficient sum from the Russian Government through the Russian Minister of Finances. The payments referred to will be made to the Company as advances at a rate of interest of six per cent. per annum. Sums paid in excess to the Company in consequence of its demands and on account of the guarantee will be deducted from succeeding money payments.

On the presentation to the general meeting of shareholders of the annual report of the working of the railway for a given year, the Company shall at the same time submit to the general meeting, for confirmation, a detailed statement of the sums owing by the Company to the Russian Government, with the interest that has accrued thereon. On the confirmation of this statement by the general meeting, the Board of Management shall deliver to the

Russian Government an acknowledgment of the Company's debt, to the full determined amount of the same, and this acknowledgment, until its substitution by another, shall bear annually interest at the rate of six per cent. The acknowledgment above mentioned given by the Board of Management to the Russian Government shall not be subject to bill or deed stamp tax.

17. *Distribution of Net Profits.* A sum of up to 10 per cent. of the net profits may be put aside from them, by decisions of the shareholders' meeting, and be added to the reserve capital (14). The remaining sum is used to pay the interest on and the amortization of the bond capital. The remaining surplus, i.e. the net profits of the Company, is used to pay dividend on shares to an amount which shall every time be determined by the general meeting of the shareholders. The balance of the net profits, should there remain any, will be used for paying off the debts of the Company to the Russian Government; in those years when the Company will have no more debts, the said balance will be distributed as an additional dividend on the shares.

18. *Board of Management.* The administration of the Company's business with regard both to the construction and to the exploitation of the Chinese Railway, as also the keeping of the books and accounts of the Company, will be entrusted to the Board of Management (Pravlénie). The Board of Management represents the Company and therefore its actions, performed within the limits of the rights conferred on it by the Agreement concluded with the Chinese Government, by the present Statutes and by the decisions of the general meetings (of shareholders) are binding on the Company. Being an agent of the Company, the Board of Management acts without a special power of attorney and has itself the right to select agents whom it may supply with a legal power of attorney according to general regulations. The Board of Management shall reside in Peking or in St. Petersburg. The Board of Management has its own seal.

19. *Constitution of the Board of Management.* The Board of Management of the Company shall consist of a President and nine members. The President of the Board is appointed by the Chinese Government. The other members are elected by the general meeting of shareholders. The Board elects from amongst its members a Vice-President. The duties of the President include the control of the strict fulfilment by the Railway Company of its obligations with regard to the Chinese Government. The Company communicates with the Chinese Government and the

Chinese central and local authorities through the intermediary of the President of the Board. The duties of the Vice-President include direct administration of the Company's business. Two members of the Board of Management retire every year: either by lots or by mutual agreement during the first five years, and by seniority of their election thereafter. Their replacements are elected by the shareholders' general meetings. The amount of salary of the President and of the members of the Board of Management shall be determined by the shareholders' general meeting. The members of the Board, elected by the shareholders, may be relieved of their duties, before their term of office expires, by a decision of the shareholders' general meeting.

20. *Order of transaction of the business of the Board.* The Board of the Company meets, when it is necessary, on the invitation of the President or of Vice-President. The validity of its decisions demands the participation in the examination of the (corresponding) affairs, either personally or by writing (by letter or telegram) of five members, including the President or the Vice-President. Decisions are taken by a simple majority of votes. The drawing of monies from establishment of credit or generally speaking, from persons or institutions to whom the safeguarding of the Company's capital may be entrusted, the transfer of State funds, the issuing of receipts for monies received as due to the Company and the indorsement of their transfer (excepting sums in current accounts) require the signatures of at least three members of the Board. Payments on current bills, i.e. out of the ready cash of the Board, take place according to legally valid decisions of the Board, by means of cash orders signed by one of the Board, empowered to do so. The books of the Company must be closed every year on the 31st December, old style.

21. *General meetings of shareholders and the subjects that shall come under their notice.* The general meeting of shareholders may be ordinary or extraordinary. Ordinary general meetings are called every year to decide upon the report and balance sheets submitted by the Board of Management and for the election of the members of the latter. Besides these two obligatory subjects, the ordinary general meetings may also consider other questions within the scope of their competence. Extraordinary general meetings are called when required. The business coming under the notice of the general meeting is brought before it by the Board of Management only. Besides the above-mentioned obligatory subjects, the subjects coming under the notice of the general meetings include,

generally speaking: (a) the confirmation of the activities and suggestions of the board of Management with regard to the construction and working of the railway; (b) the examination and approval of the accounts of the Board of Management; (c) deliberation on and decisions with regard to the uses which the reserve capital is to be applied to; (d) approval of the amount to be put aside and added to the reserve capital as per (17) of the Statutes, as also of the amount of dividend to be distributed among the shareholders and the approval of assignments towards pension and relief funds, if such be established on the line; (e) the election of the members of the Board of Management and of the Audit Committee; (f) determination of the amount of salaries to the members of the Board of Management and of the Audit Committee; (g) the assignment to the Board of Management of sums for yearly and unforeseen expenses, or for single outlays, within the limits of the approved budget, and permission to the Board to obtain credits; (h) decisions on all affairs, generally speaking, which are beyond the sphere of competence of the Board of Management and on all affairs submitted to the general meetings by the Board.

22. *Order of convening general meetings.*—General Meetings are called, at the discretion of the Board of Management, at Peking or at St. Petersburg by means of notices in a Chinese and in Russian newspapers.

23. *Conditions under which general meetings shall be recognized as legally held.* General meetings of shareholders shall be recognized as legally held when at least half of the Company's total share capital will be represented.

24. *Participation of shareholders in proceedings of general meetings.* At general meetings every share gives one vote, however many shares the owner may hold. So as to obtain the right to participate in general meetings the owners of the shares shall present to the Board of Management either personally or through a representative duly qualified by a power of attorney, and not later than seven days before the general meeting, the shares of the Company which they hold, or certificates of the State Bank, of its agencies and branches or of the Russo-Chinese Bank and of its branches stating that the corresponding shares are deposited with them and will not be delivered until one day after the general meeting. These certificates must show the numbers of the shares. The shares presented to the Board of Management are kept by the latter and returned by it, after the general meeting, against

receipts received for them. All questions are decided by a simple majority of votes. The decisions of the general meetings held on the above-mentioned basis, and within the limits of the rights given to the general meetings by the Statutes, are binding on all shareholders, whether present or absent.

25. *Local management of works of construction.* The direct administration of the technical side, as regards the planning and fulfilment of works for the construction of the railway, shall be entrusted by the Board of Management of the Company to the Chief Engineer. The Chief Engineer is responsible before the Company and the Board of Management for the efficiency technically speaking of all works for the construction of the railway. The Chief Engineer, his replacent and the senior engineers for the construction of the railway, as well as the chief comptrollers, are appointed by the Board of Management. The remaining staff for the construction are appointed either by the Board or directly by the Chief Engineer, according to the powers conferred on him by the Board.

26. *Local Management of Railway when in working order.* The Board shall entrust the Manager of the railway with the direct administration of the exploitation of the railway and of the works connected therewith. The Manager of the railway, the chief of the railway departments, and the chief comptrollers shall be appointed by the Board of Management. The remaining working staff are appointed either by Board of Management or directly by the Manager of the railway, according to the powers conferred on him by the Board. The seat of the Railway administration shall be determined by the Board of Management.

27. *Questions to be submitted to the Russian Minister of Finance.* In consideration of the guarantee of the net profits of the Chinese Eastern Railway which the Russian Government has assured, and of its consequent right to control the construction and working of the railway, decisions on the following questions shall be submitted to the Russian Minister of Finances for confirmation by him: (a) the election of the Vice-President; (b) the appointment and dismissal of the Chief Engineer for the construction of the railway and of the Manager for the exploitation, also of the chiefs of the railway departments and of engineers; (c) the election of the members of the Audit Committee; (d) the direction of the railway line; (e) the technical conditions of the construction of the railway and those technical plans and estimates regarding the construction which the Chief Engineer will not be empowered to approve; a complete plan of the direction of the line, the general estimates

for its construction and the estimates for its exploitation, the limits of the rights and duties and of the sphere of competence of the Chief Engineer, the Manager of the Railway and the senior agents for the construction and for the working of the railway, as also the internal order in all departments of the administration with regard both to the construction and to the exploitation of the line, (f) the methods of placing the pension, relief and other funds, excepting those mentioned in 14.

28. *Audit Committee.* The shareholders' general meeting shall elect an Audit Committee consisting of five persons, who are not connected with the administration of the Company's business. The Audit Committee elects a Chairman from amongst its members. One member of the Committee retires every year: by lots or by mutual agreement in the course of the first five years and by seniority of election thereafter. The general meeting elects the replacent of the outgoing member.

The duties of the Audit Committee include: (a) the examination of estimates and working balance sheets for the construction and improvement of the line, (b) examination of reports on works accomplished; (c) examination of yearly budgets for the working of the railway; (d) examination of the report of the Board of Management with regard to the revenues and expenses of the working of the line for every given year; (e) generally speaking—a general supervision of the construction and working of the line.

The Board of Management shall be bound to supply the Audit Committee without delay with all information and explanations required by the latter. Estimates for the construction, improvements and exploitation of the line shall be examined by the Audit Committee together with the Board of Management, in joint meetings, and all questions shall be decided by a majority of votes of the persons present. Thereupon, the estimates approved of at such meetings, and concerning the construction and the working of the railway, shall be submitted through the Board of Management to the Russian Minister of Finances for approval by him.

The reports on the construction and on the exploitation of the line shall be considered by the Audit Committee alone, which will make observations thereupon, taking decisions by a simple majority of votes. In submitting its reports to the general meeting of shareholders, the Board of Management shall simultaneously submit the observations made by the Audit Com-

mittee and the Board's explanations resulting therefrom. After the general meeting shall have considered the observations of the Audit Committee and shall have taken decisions thereupon, the Audit Committee shall make a record of the corresponding decisions of the general meeting, on the reports and books of the Board of Management, which shall have been audited by the Committee.

For their work in auditing reports and estimates, the members of the Audit Committee shall receive a remuneration to be determined by the shareholders' general meeting.

29. *Gratuitous entrance into possession of Railway by Chinese Government.* In accordance with the Agreement concluded with the Chinese Government the latter after the expiration of eighty years of possession of the railway by the Company, enters into possession of it and its appurtenances. The reserve and other funds belonging to the Company shall be employed in paying the money due to the Russian Government under the guarantee and in satisfaction of other debts of the Company, and the remainder shall be distributed among the shareholders. Any money that may remain owing by the Company to the Russian Government in respect of the guarantee shall be written off. The Russo-Chinese Bank will incur no responsibility in respect of same.

30. *Right of the Chinese Government to acquire the Railway on the expiration of thirty-six years.* In accordance with the Agreement concluded with the Chinese Government, on the expiration of thirty-six years from the time of completion of the whole line and its opening for traffic, the Chinese Government has the right of acquiring the line, on refunding to the Company in full all the outlays made on it, and on payment for everything done for the requirements of the railway, such payments to be made with accrued interest. It follows as a matter of course that the portion of the share capital which has been amortized by drawing and the part of the debt owing to the Russian Government under the guarantee and repaid out of the net profits will not constitute part of the purchase money (17). In no case can the Chinese Government enter into possession of the railway before it has lodged in the Russian State Bank the necessary purchase money. The purchase money lodged by the Chinese Government shall be employed in paying the debt of the Company under its bonds and all sums, with interest, owing to the Russian Government, the remainder of the money being then at the disposal of the shareholders.

C. *The Karachan Declaration of 1919*

(Text as translated by the Chinese Ministry of Foreign Affairs from the original French text)

To the Chinese People and the Government of North and South China. At the time when the Soviet troops after defeating the army of the counter-revolutionary despot Koltchak supported by foreign bayonets and money, entered Siberia and marched together with the revolutionary people of Siberia the Council of Commissaries of the people addressed to all the people of China the following brotherly words:

The Russia of the Soviets and her red armies after two years of struggle and after making incredible efforts, are marching towards the East beyond the Urals, not for the purposes of oppressing nor with the spirit of tyrannizing or conquest. All the peasants and workmen of Siberia are already-aware of this. We are marching to free the people from the yoke of the military force of foreign money which is crushing the life of the people of the East, and principally the people of China. We are not only bringing help to our working classes but also to the Chinese people; and we want once more to remind them of that which we have constantly told them, since the great revolution of October 1917, and which the public in the pay of the Americans, Europeans, and Japanese have perhaps suppressed. Ever since the government of workmen and peasants took the power into their hands in October 1917 that government has in the name of the Russian people called upon the people of the whole world to establish an enduring peace. This peace must be based upon mutual renouncement of all seizure of other peoples' land, and of all forced contribution from any people; all people whether they are great or small, whether they have lived until now with a free life or whether they form against their own will, a part of another country, shall be free in their inner life and no power shall interfere with them within this limit. The government of workers and peasants has then declared null and void all the secret treaties concluded with Japan, China, and the ex-Allies, the treaties which were to enable the Russian Government of the Tsar and his Allies to enslave the people of the East and principally the people of China by intimidating or buying them for the sole interests of the capitalists, financiers, and the Russian generals. The Soviet Government invites henceforth the Chinese Government to enter into negotiations with the object of cancelling the Treaty of 1896, the protocol

of Peking of 1901, and all the agreements concluded with Japan from 1907 to 1916. That is to say to give back to the Chinese people all the power and authority which were obtained by the government of the Tsar by tricks or by entering into understandings with Japan and the Allies. The negotiations on the subject lasted until March 1918. But the Allies suddenly took the Government of Peking by the throat, filled the pockets of the Mandarins and the Chinese newspapers with money and forced the Chinese Government to refuse to have any relations whatever with the government of workers and peasants of Russia. Without waiting for the restoration of the railway of Manchuria to the people of China, Japan and the Allies seized it for themselves, invaded Siberia and forced the Chinese soldiers to assist them in this unheard of and criminal act of brigandage. And the people, the workmen and peasants of China have not the slightest knowledge of either the truth or the reason of the invasion of Manchuria and Siberia by the greedy Europeans, Americans, and Japanese. We herewith address the Chinese people with the object of making them thoroughly understand that the Soviet Government has given up all the conquests made by the government of the Tsars which took away from China Manchuria and other territories. The population of these territories shall decide for themselves to which country they would like to belong, as well as the form of government which they would like to adopt.

The Soviet Government returns to the Chinese People without demanding any kind of compensation, the Chinese Eastern Railway, as well as all the mining concessions, forestry, gold-mines, and all the other things which were seized from them by the government of the Tsars, that of Kerensky, and the Brigands, Horvat, Semenoff, Koltchak, the Russian ex-generals, merchants, and capitalists. The Soviet Government gives up the indemnities payable by China for the insurrection of the Boxers in 1900. The Soviet Government is obliged to repeat this assertion for the third time, for we are told that in spite of our willingness to forgo and give it up, this indemnity money is still held in the hands of the Allies for the payments of the salary and imaginary expenses of the former imperial minister at Peking and the former imperial consuls in China. The rights and powers of all those slaves of the Tsar have long been taken away from them. Nevertheless, they still continue to remain in their posts and cheat the Chinese people by the help of Japan and the Allies. The Chinese people should know this and kick these liars and thieves out of their

country. The Soviet Government has abolished all the special privileges and all the factories owned by the Russian merchants in the Chinese territory; no Russian official priest or missionary should be allowed to interfere with Chinese affairs; if they should commit any crime, they must be judged according to the local laws in the local law courts. No authority or law court whatever should be allowed to exist in China except the authority and law courts of the Chinese people. Besides these principal points, the Soviet Government represented by its plenipotentiaries is ready to negotiate with the Chinese people, all the other questions and to settle once for all, all the cases of violence and injustice which were committed towards China by the former government, acting together with Japan and the Allies. The Soviet Government knows perfectly well that the Allies and Japan will do what they can in order that the voice of the Russian workmen and peasants should not this time again reach the ears of the Chinese people, so that the people of China will not understand that it is for the restoration of everything which was taken away from them. It is, therefore, necessary to put a stop first of all to the predatory intrusion in Manchuria and Siberia. It is for this reason that we give to-day to the Chinese people this news from their real friends that our red armies are marching towards the East beyond the Urals to help the Siberian peasants and workmen in order to set them free from the domination of the Koltchak bandits and their allies, the Japanese. If the Chinese people, following the example of the Russian people, wish to become free and to avoid the fate reserved for them by the Allies at Versailles in their object of making China into a second Korea or another India, the Chinese people should understand that they have no other ally or brother in their struggle for liberty except the Russian peasants and workmen and their red army. The Soviet Government, therefore, offers to the Chinese people through the interposition of its government, to establish with us from now some official relations and to send some representatives to the front of our army. *Acting for the Commission of Foreign Affairs signed by Karakhan, as a true copy certified.*

Extract from 2nd Karakhan Declaration of 1920. Art. VII. Following immediately upon the signing of the present Treaty, there shall be mutually established diplomatic and consular representatives of the Republic of China and the Russian Socialist Federated Soviet Republic. The Russian and the Chinese Governments agree to sign a special treaty on the way of working the Chinese

Eastern Railway with due regard to the needs of the Russian Socialist Federated Republic and in the conclusion of the treaty there shall take part, besides China and Russia, also the Far Eastern Republic.

D. Supplement to the Agreement for the Construction and Exploitation of the Chinese Eastern Railway, October 2, 1920.¹

(Translated from the authentic French text)

Preamble.

The Chinese Government in consideration of the payment of five million Kuping taels to the Russo-Chinese (new Russo-Asiatic) Bank for the purpose of participating in it and so as to put into operation the Agreement for the Construction and Exploitation of the Chinese Eastern Railway, concluded on the 25th day of the 7th moon of the 22nd year of Kuang Hsü (September 8, 1896) in consideration of the sum due by the Chinese Eastern Railway Company to the Chinese Government and consisting of five million Kuping taels principal, with accrued interest as also of the creditor's rights resulting from advances subsequently made in the course of the last years in favour of the aforesaid Railway, in consideration of the situation created by the complete political disorganization in Russia, making it impossible for the time being for the said Company to maintain a regular exploitation, with regard, moreover, to its sovereign rights, finds itself obliged to take measures which are indispensable not only for ensuring the security of the regions served by the aforesaid Railway and for maintaining communications of universal interest, but also for the efficient protection of the property of the said Railway.

In view of the obligations enumerated above, the Chinese Government has notified the Bank, on October 2nd, 1920, of its decision to assume provisionally (pending an agreement which the Chinese Government will come to with the Russian Government recognized by China regarding the Chinese Eastern Railway) the supreme administration of the Railway as per the (1896) Agreement and regulations in force, and to avail itself again of the advantages and special interests conferred on China by the Exploitation Agreement of the 22nd year of Kuang Hsü and the original Statutes of the said Company; as a consequence (of the

¹ Cf. *China Year Book*, 1923.

foregoing circumstances) the Chinese Government has entrusted on the 2nd day of the 10th month of the 9th year of the Republic (corresponding to the 2nd of October 1920), the Ministry of Communications, representing the Chinese Government, with the conclusion in Peking of the following arrangement supplementing the 1896 Agreement with the Russo-Chinese Bank (now Russo-Asiatic Bank, and whatever the name of this Bank may subsequently be); representing the Head Office of the Bank, provisionally residing in Paris:

Article 1. The Chinese Eastern Railway Company, hereafter designated as the 'Company', declares itself bound to pay to the Chinese Government, in bonds of the Railway and under conditions to be specified in a separate letter, from the date of the signing of the present Agreement, the equivalent of the sums which ought to have been paid by the Company, to wit:

(a) a sum of five million Kuping taels which ought to have been paid to the (Chinese) Government beginning from the day of the opening of traffic on the said railway; in accordance with article 12 of the original (1896) Agreement.

(b) Interest of the aforementioned sum, to be computed from the day of opening of traffic on the said Railway¹ at the rate of six per cent. per annum, as per article 16 of the Statutes of the Company, and according to the rules applying to compound interest, up to year 1920.

From 1921 on, the interest on these sums will be 5 per cent. to be paid in half-yearly instalments. The reimbursement of the bonds will be made in cash either at the time of the redemption of the Railway by the Chinese Government, or out of the sums allotted for the redemption of the said Railway.

The bonds issued in payment of the aforementioned loan will be guaranteed by a mortgage on all the property of the Railway—landed or movable.

Article 2. It is agreed that the Chinese Government will have the right to appoint, besides the President (of the Company), four members of Chinese nationality to the 'Pravlénie' (Board of Directors) of the Railway. It is not necessary for the members thus appointed by the Chinese Government to be shareholders of the Company. The shareholders will, for their part, have the right to freely appoint the Russian members of the 'Pravlénie'. In cases of even ballot, the President will have the casting vote, in addition to his consulting vote.

¹ The date subsequently agreed upon was May 1st, 1905.

Article 3. The quorum of the 'Pravlenie' shall consist of seven members. No decision will be binding unless it is approved of by at least seven members.

Article 4. It is agreed that the Chinese Government will have the right to appoint two members of Chinese nationality out of the five members composing the Audit Committee. The Chairman of this Committee shall be of Chinese nationality.

Article 5. So as to ensure the regular working of the Railway, it is agreed that the offices on the Railway will be equitably distributed among Chinese and Russians.

Article 6. The rights and obligations of the Company will henceforward and in every respect be of a commercial nature; every political action and attribution are absolutely forbidden to the Company. The Chinese Government reserves itself the right to prescribe restrictive measures of every kind to this effect at any moment.

Article 7. The stipulations of the Agreement concluded on the 25th day of the 7th moon of the 22nd year of Kuang Hsü (September 8, 1896) and of the Statutes of the Chinese Eastern Railway Company which do not conflict with the clauses of the present temporary Agreement, remain in force as a matter of course.

The present Agreement has been done in four copies, two in French and two in Chinese. Only the French text will rule.

Done at Peking on the 2nd day of the 10th month of the 9th year of the Republic, corresponding to the 2nd day of October 1920.

For the Russo-Chinese Bank (now Russo-Asiatic Bank, and whatever the name of this Bank may subsequently be).

(Signed) JEZIERSKI.

(Signed) J. RAINDRE.

E. Agreement for the Provisional Management of the Chinese Eastern Railway

The Republic of China and the U.S.S.R. mutually recognizing that, inasmuch as the C.E.R. was built with capital furnished by the Russian Government and constructed entirely within Chinese territory, the said Railway is a purely commercial enterprise and that excepting for matters appertaining to its own business operations, all matters which affect the rights of the Chinese National and Local Governments shall be administered by the Chinese

Authorities, have agreed to conclude an Agreement for the Provisional Management of the Railway until its final settlement at the Conference as provided in Article II of the Agreement on General Principles for the Settlement of the Questions between the Republic of China and the U.S.S.R. of May 31st, 1924, and have to that end named as their Plenipotentiaries, that is to say:

His Excellency the President of the Republic of China: Vi Kyuin Wellington Koo.

The Government of the U.S.S.R.: Lev Mikhailovitch Karakhan.

Who having communicated to each other their respective full powers found to be in good and due form, have agreed upon the following Articles:

Article I. The Railway shall establish, for discussion and decision of all matters relative to the Chinese Eastern Railway, a Board of Directors to be composed of ten persons, of whom five shall be appointed by the Government of the Republic of China and five by the Government of the U.S.S.R.

The Government of the Republic of China shall appoint one of the Chinese Directors as President of the Board of Directors, who shall also be the Director-General.

The Government of the U.S.S.R. shall appoint one of the Russian Directors as Vice-President of the Board of Directors who shall also be the Assistant Director-General.

Seven persons shall constitute a quorum, and all decisions of the Board of Directors shall have the consent of not less than six persons before they can be carried out.

The Director-General and Assistant Director-General shall jointly manage the affairs of the Board of Directors and they shall both sign all the documents of the Board.

In the absence of either the Director-General or the Assistant Director-General, their respective Governments may appoint another Director to officiate as the Director-General or the Assistant Director-General (in the case of the Director-General, one of the Chinese Directors, and in that of the Assistant Director-General, one of the Russian Directors).

Article II. The Railway shall establish a Board of Auditors to be composed of five persons, namely two Chinese Auditors, who shall be appointed by the Government of the Republic of China and three Russian Auditors who shall be appointed by the Government of the U.S.S.R.

The Chairman of the Board of Auditors shall be elected from among the Chinese Auditors.

Article III. The Railway shall have a Manager, who shall be a national of the U.S.S.R., and two Assistant Managers, one to be national of the Republic of China and the other to be a national of the U.S.S.R.

The rights and duties of the Manager and the Assistant Managers shall be defined by the Board of Directors.

The said officers shall be appointed by the Board of Directors and such appointments shall be confirmed by their respective Governments.

Article IV. The Chiefs and Assistant Chiefs of the various Departments of the Railway shall be appointed by the Board of Directors. If the Chief of Department is a national of the Republic of China the Assistant Chief of Department shall be a national of the U.S.S.R., and if the Chief of Department is a national of the U.S.S.R. the Assistant Chief of Department shall be a national of the Republic of China.

Article V. The employment of persons in the various departments of the Railway shall be in accordance with the principle of equal representation between the nationals of the Republic of China and those of the U.S.S.R.

Article VI. With the exception of the estimates and budgets, as provided in article VII of the present Agreement, all other matters on which the Board of Directors cannot reach an agreement shall be referred for settlement to the Governments of the Contracting Parties.

Article VII. The Board of Directors shall present the estimates and budgets of the Railway to a joint meeting of the Board of Directors and the Board of Auditors for consideration and approval.

Article VIII. All the net profits of the Railway shall be held by the Board of Directors and shall not be used pending a final settlement of the question of the present Railway.

Article IX. The Board of Directors shall revise as soon as possible the statutes of the C.E.R. company, approved on December 4, 1896, by the Tsarist Government, in accordance with the present Agreement and the Agreement on General Principles for the Settlement of the Questions between the Republic of China and the Union of Soviet Socialist Republics of May 31, 1924.

Article X. The present Agreement shall come into effect from the date of signature.

In witness whereof, the respective Plenipotentiaries have signed the present Agreement in duplicate in the English language and have affixed thereto their seals.

Done at the City of Peking this Thirty-First Day of the Fifth Month of the Thirteenth Year of the Republic of China, which is the Thirty-First Day of May One Thousand Nine Hundred and Twenty-Four.

(Seal) V. K. WELLINGTON KOO.

(Seal) L. M. KARAKHAN.

F. Text of the Agreement signed at Habarovsk December 22, 1929¹

(1) The first point of the preliminary conditions of the Soviet Government is understood by both parties, in full conformity with the telegram of M. Litvinoff, Acting Commissar for Foreign Affairs, of November 27 and the Nikolsk Ussuriisk Protocol of December 3, as the restoration of the situation existing prior to the dispute and based upon the Mukden and Peking Agreements.

All outstanding questions which arose during the period of joint Soviet-Chinese management of the railway are to be solved at the forthcoming Soviet-Chinese conference. In view of this Conference the following measures are immediately to be carried out:

(a) The restoration, on the basis of the old Agreements, of the activities of the Board of Management of the Chinese Eastern Railway and resumption of their duties by the Soviet members of the Board. Henceforth the Chinese Chairman of the Board of Management and the Soviet Vice-Chairman of the Board must act only jointly and in conformity with Point 6, Article I, of the Soviet-Mukden Agreement.

(b) The restoration of the former proportion of offices held by Soviet and Chinese citizens and the reinstatement (or immediate appointment of new candidates should such be recommended by the Soviet) of Soviet citizens in the offices of heads and assistant heads of departments.

(c) Orders and instructions on the railway issued on behalf of the Board of Management and the Administration of the Chinese Eastern Railway as from July 10, 1929, are considered to be

¹ Cf. *Documents on International Affairs, 1929*, Royal Institute of Intern. Affairs, London.

invalid unless properly confirmed by the local management and administration of the railway.

(2) All Soviet citizens without exception arrested by the Chinese authorities in connexion with the dispute since May 1, 1929, will be immediately released without division into any categories, including Soviet citizens arrested during the search of the Harbin Consulate on May 27, 1929.

The Soviet Union Government will also immediately release all the Chinese citizens without exception, arrested in connexion with the dispute, and interned Chinese soldiers and officers.

(3) All workers and employees of the Chinese Eastern Railway, citizens of the U.S.S.R., who were discharged or resigned as from July 10, 1929, shall be given the right and opportunity immediately to return to the positions they held prior to their discharge and to receive any money owing to them from the railway.

Those persons who were discharged or resigned, who fail to exercise this right must immediately be paid the full wages, pensions, dues, &c., owing to them.

Vacancies may be filled only by proper order of the lawful Board of Management and Administration of the Chinese Eastern Railway, and all former Russian citizens or non-citizens of the U.S.S.R. employed by the railway during the dispute must be summarily and immediately discharged.

(4) The Chinese authorities shall immediately disarm the Russian White Guard detachments and deport from the three Eastern Provinces their organizers and inspirers.

(5) Leaving open the question of full diplomatic and consular relations between the U.S.S.R. and China until the Soviet-Chinese Conference, both parties consider possible and necessary the immediate restoration of the Soviet Consulates in the territory of the Three Eastern Provinces and of Chinese Consulates at their respective seats in the Soviet Far East.

In view of the fact that the Union Government declared on May 21, 1929 that 'Since the Chinese authorities proved by all their actions clear unwillingness and inability to reckon with the generally accepted principles of international law and custom, it on its part does not henceforth regard itself bound by these principles in relation to Chinese representation in Moscow and the Chinese Consulates in Soviet territory and that this representation and these Consulates will no longer enjoy the extraterritoriality to which international law entitles them', and that both parties

intend to restore consular relations between them on the basis of conforming with the principle of international law and custom, the Mukden Government declares that it undertakes to assure the Soviet Consulates on the territory of the three Eastern Provinces full inviolability and all privileges to which international law and custom entitle them and will, of course, refrain from any actions violating this inviolability and these privileges. On its part the Union Government will discontinue the special régime established by it between May 21, 1929 and the rupture of relations for Chinese Consulates and will grant these Consulates which are to be restored by virtue of the first clause of this section in the territory of the Soviet in the Far East all privileges and the full inviolability to which international law and custom entitle them.

(6) With the restoration of the Consulates an opportunity shall immediately be given for the resumption of the normal activity of all Soviet business organizations existing before the dispute within the three Eastern Provinces.

A similar opportunity shall be offered to restore the Chinese commercial enterprises which existed within the U.S.S.R. whose operations were discontinued in connexion with the dispute regarding the Chinese Eastern Railway.

The question of commercial relations between the two countries as a whole shall be settled by a Soviet-Chinese conference.

(7) The question of real guarantees for the observance of agreements and the interests of both sides shall be solved at the forthcoming Conference.

(8) The Soviet-Chinese Conference to regulate all outstanding questions shall be held in Moscow on January 25, 1930.

(9) The peaceful situation of the frontiers of China and the U.S.S.R. shall be immediately restored with the subsequent withdrawal of the troops on both sides.

(10) This Protocol enters into force at the moment of its signature.

Signed at Habarovsk, December 22, 1929.

The Plenipotentiary of the Chinese Republic,

TSAI YUN-SHENG,

Commissioner for Foreign Affairs.

The Plenipotentiary of the U.S.S.R.

SIMANOVSKY,

Agent of the Commissariat for Foreign Affairs.

G. Statement concerning suspension of direct freight transit at the Pogradichinaya Frontier

C.E.R. Department of Information and Publicity, Department of Foreign Affairs, Hsinking. Bulletin No. 66.

May 31, 1933.

Press interview given by the Communications Minister regarding direct transit of freight cars at Pogradichinaya.

The President of the C.E.R. Board of Directors has been instructed to suspend the direct transit of freight cars with the Ussuri Railway at Pogradichinaya, as from May 31, 1933. The circumstances which compelled our authorities to resort to this measure are already well known. Ever since the Manchurian incident, an enormous quantity of rolling-stock, including locomotives, and other property of the railway, has been shifted one-sidedly over an unreasonably long period of time or taken out of Manchukuo territory without notice. In spite of the repeated protests based upon reason filed by the Manchukuo authorities, the Soviet executives of the said railway have stubbornly refused to return the afore-mentioned property. On the contrary, by utilizing the actual powers which they have hitherto held in matters relating to the operation of the line, the Soviets have plotted to remove the railway carriages on various occasions according to circumstances, thus making it difficult for us to place any longer our confidence in their method of handling the matter. Consequently for the purpose of safeguarding the property of the C.E.R., we have now been compelled to order the railway guards under the direct control of the President of the directorate to put a stop to the direct transit of freight cars, thereby preventing the further loss of property.

It goes without saying that a railway, regardless of the nature of its invested capital, constitutes an important national as well as social organ of the State. Especially in the case of the C.E.R. must it be emphasized that Manchukuo is a direct party to its management, and the fact of its being in a normal or abnormal state vitally concerns the interests of this nation. Naturally in view of the foregoing facts, the Manchukuo Department of Communications absolutely cannot acquiesce in any activities which seek the unilateral gains of the Soviets or which ignore Manchukuo's voice in matters relating to this Railway. On the contrary, this Department by acting on justice and resorting to appropriate and effectual

means, is determined to demand of the Soviets their sincere reconsideration. The present step is merely one expression of that determination.

Finally it should be added that inasmuch as the object of the present action lies in forestalling the escape of freight cars, the blockade does not extend beyond the stopping of such cars belonging to the C.E.R. from being transferred to the Ussuri line. Not only will the transportation of goods continue to be possible but, through the special consideration given to the convenience of travellers, passenger trains also will be able to take through or direct passage as heretofore since these are operated regularly and their carriages are especially designated as such.

N.B. Beginning 1st June, 1933, the C.E.R. will be called the 'North Manchurian Railway', it was formally announced to-day by the Communications Minister, Mr. Ting Chien-hsu.

H. Statement of the Manchukuo Delegation at the sixth Formal Session of N.M.R. Conference

Bureau of Information and Publicity, Department of Foreign Affairs, Hsinking. Bulletin No. 81.

Aug. 4, 1933

Aug. 15, 1933.

The Government of the U.S.S.R. claim, according to the statement of the Soviet Delegation, the sole ownership of the North Manchurian Railway on the ground that the railway was constructed with the money and material obtained by the labour of the Russian people. It may be asked then what the Soviet Union proposes to do with the vast sacrifices made by China in various directions, in providing lands for the railway free of charge, in exempting provisions and construction material from all taxes and levies, or in paying for a partnership in the Russo-Chinese Bank. Again, what is to be done with the damages done to countless Manchurians in the territory of the Soviet Union, whose money and property have been confiscated, or with the enormous losses of the Manchurians whose paper roubles, earned during the construction of the railway and its operation under the Czarist régime, have been rendered valueless through the action of the Soviet Government? The Manchukuo Delegation do not feel any more than the Soviet Delegation the need of entering into dispute on such points. In fact, we never considered it necessary to bring up these matters. It is only because that the proposal of the Soviet

Delegation is based upon the claim to the sole ownership of the N.M.R. by the Soviet Union and the matter of the Russian money and material is cited in support of that claim that we are constrained to refute their erroneous views. The Manchukuo Delegation declare hereby once more that there is to be found neither fact nor document capable of sustaining the Soviet contention concerning the ownership of the N.M.R. whereas there exists irrefutable evidence showing that the railway belongs to the State of Manchukuo.

By the successive 'Karachan declarations' of 1919 and 1920, it was made clear that the Government of the U.S.S.R. abandoned the N.M.R. as well as all the rights and interests acquired by the former Russian Imperial Government. The above relinquishment is naturally to be considered to have taken effect through the unilateral declaration without being confirmed by the other party. As a matter of fact, the only questions that remained to be settled between the Soviet Union and China were those pertaining to the manner of relinquishment and other technical matters involved therein. To contend that the declarations were invalidated merely because of the non-settlement of these technical questions is a gross violation of the most elementary principle of international morality. It is evident on the face of logic as also in the light of the spirit of the Russian Revolution that by the Sino-Russian Convention and the Mukden Agreement of 1924 China conceded to the Soviet Union nothing more than a right to participate in the administration of the N.M.R. This is a point which is universally known and on which there is no room for further argument.

In the appraisal of the N.M.R. the Soviet Delegation are ever trying to find a basis in the Sino-Russian Convention and the Mukden Agreement which are suited to its conveniences. They contend, by citing the Declaration issued by Manchukuo to foreign Powers, as though the latter were obligated to adhere to these instruments. As made clear in the statement of the Manchukuo Delegation made public under date of July 5, the Convention and Agreement above mentioned have been frequently ignored or torn to pieces, unilaterally by the Soviet Union herself, while the erstwhile Mukden authorities on their part sought, though without success, to revert the N.M.R. to the status under the Karachan Declarations. It is by far too unreasonable on the part of the Soviet Union to lay wilfully aside these facts of history and to insist that Manchukuo observe the oft discarded

instruments because that will be to the Soviet interest when it comes to the evaluation of the N.M.R. It should be definitely stated here that Manchukuo cannot acquiesce to all such points in those instruments as run counter to her sovereignty, as are incompatible with the status of the N.M.R. as a purely commercial enterprise, or unadapted to the present actual condition of Manchukuo, or any other points that do not stand to reason, and also that Manchukuo has the liberty to exercise quite properly her sovereign rights with regard to the N.M.R. as a purely commercial organ, and to its employees. As for the basis of evaluation of the N.M.R. it is simply a matter of reason as well as of commercial usage that the actual value of the railway at present should be taken, as has been proposed by us again and again, and the price be determined accordingly and with due consideration of the future profits. The Manchukuo Delegation reject, therefore, the Soviet proposal of finding the basis for the appraisal of the N.M.R. in Article I—Paragraph I—of the Sino-Russian Convention.

The Manchukuo Delegation has been requested by the Soviet Delegation to indicate the sources for the figure, which we have once quoted in order to indicate the inaccuracy of the one submitted by the Soviet Delegation according to their own formula of evaluation. We would rather ask the Soviet Delegation to show us first the precise and detailed grounds in the official documents and data, recognized by the Manchurian Authorities of the N.M.R., for the figure which they submitted as the price of the railway prior to the submission of any figure by the Manchukuo Delegation. It should be once more declared that the figure in question was submitted by the Manchukuo Delegation solely for the sake of argument.

Manchukuo has never accepted, nor will ever hereafter accept, the formula of appraisal proposed by the Soviet Delegation. The Soviet Delegation have also requested that we give our basis for the appraisal of the auxiliary property of the N.M.R. Again we should like to ask them that they show us an authoritative basis on which they have arrived at the figure of 40,000,000 roubles in estimating the value of the said property. It seems that the Soviet Delegation desire the inclusion of the lands formerly attached to the railway in the auxiliary property of the N.M.R. However, in the Sino-Russian Convention, Art. XI, and the Mukden Agreement, Art. I, Par. I, it is explicitly provided that matters relating to lands are to be taken charge of by China. Exceptions are made only of such lands necessary for the railway, which cover lands

used for the tracks, stations, &c., indispensable for the operations of the railway, and which would naturally be included in the appraisal of the railway itself. Such action as was taken by the former Mukden authorities upon the lands outside the category were, therefore, not illegal, but meant merely the carrying out of the above-mentioned stipulation. It is obvious, then, that to take those lands back as part of the auxiliary property to be appraised is wholly impermissible. Nor the Sungari River fleet and the telephone offices can, as has already been pointed out by the Manchukuo Delegation, be included in the auxiliary property, both having been taken over by the Mukden authorities acting upon the sovereign rights, the former in retaliation of the illegal and forceful seizure by the Soviet authorities of the Egelsheld Pier, and the latter as an establishment set up in disregard of China's sovereignty. The attempt on the part of the Soviet Delegation to include them in the N.M.R. auxiliary property is therefore absolutely futile.

It is a fact beyond dispute that the Egelsheld Pier was constructed with funds provided by the N.M.R., and is a property of the railway. The high-handed actions of the Soviet authorities in seizing the property and in confiscating the deposit of the Commercial Agency in a foreign bank, cannot, no matter whether it occurred before, or after, the Sino-Russian Convention and the Mukden Agreement of 1924, ever be justified. As for the telephone offices, they would be proper items for inclusion in the appraisal of the N.M.R., if their service were confined to the communications in connexion with the operations of the railway, but the office in question such as that of Harbin has nothing to do with the railway, but is an ordinary telephone office serving the general public. The establishment and operation by the N.M.R. of telephone offices of such a nature being in violation of China's sovereignty, the Mukden authorities, in taking them over, were acting entirely within their rights.

If the Soviet contention with regard to the lands attached to the railway and telephone offices were to be admitted, it might be argued, as a logical conclusion, that practically every piece of land and property in North Manchuria, being in one way or another connected with the N.M.R., should fall under the control of the railway. Manchukuo cannot accept the claims of the Soviet Union in these matters.

The Soviet Delegation are constantly emphasizing the future possibilities and increases in value of the N.M.R. However, as is

widely known, the Government of Manchukuo, realizing the difficulties of opening up the North Manchuria region by relying upon the N.M.R. alone, which was constructed all for the sake of Russia and with little regard for the interest of China (Manchukuo at present), has planned a new and independent railway system, of which the more important parts have been or are about to be completed. Since this programme of railway construction cannot be altered even if the right of the N.M.R. operation is fully recovered, both the significance and the value of the N.M.R. to Manchukuo are exceedingly small—certainly less by far than what they are alleged to be by the Soviet Delegation. Even assuming that the railway is of ponderable value to Manchukuo, it has been admitted by Mr. Litvinoff, People's Commissar for Foreign Affairs, in a memorandum addressed to Ambassador Ohta, that the railway has become to be of little value to the Soviet Union. One cannot but doubt if the Government of the Soviet Union are, in setting an extravagant price of 250,000,000 roubles on the rights in a railway little valued by themselves, really sincere in their desire for a smooth progress of the present negotiations. It is maintained by the Soviet Delegation that the N.M.R. is of great value for the reason that it constitutes part of an international communication system. Because a railway plays an important role in communication, it does not necessarily follow that it is an economically valuable one. As was pointed out in our statement of July 5, the mission and the economic value of a railway are entirely unrelated subjects that should not be confused.

The fundamental cause of various incidents which have occurred frequently of late in connexion with the N.M.R. may be traced to the fact that there is a conflict between the revolutionary ideal of the Soviet authorities and their programme of external expansion, and that arbitrary unwarranted measures are resorted to in order to cover up that conflict. As long as the N.M.R. is left in the present circumstances difficulties will continue to multiply rather than to decrease. Indeed, it is generally feared that even if the recurrence of untoward incidents should be checked, the completion of the Manchukuo railway system will cause a further dwindling of the profits of the N.M.R. and that in a year or two the railway will find it impossible to balance income with expenditures. It is obvious that the stoppage, referred to by the Soviet Delegation, of the N.M.R. subsidies to the administrative organs in the Special Administrative District of North Manchuria would not, even if realized, relieve the situation to any substantial degree.

The Soviet Delegation hold that the exemption of transportation fees extended to the railway guards is unjust. Since the status of the N.M.R. as a commercial institution is recognized by the Soviet Union, it is obvious that Manchukuo is fully entitled to order the exemption of fees on the transportation of troops and military provisions that are indispensable to the protection of the railway, as it is both logical and customary that the N.M.R. should consent to such exemption.

It is also argued by the Soviet Delegation that the N.M.R. has not the obligation to pay for the expenses of the administrative organs within the Special Administrative District. We have already in our statement of July 5 pointed out that it is perfectly fair that the N.M.R. should render financial aid to the administrative organs within the region in which it is operated in view of the fact that it pays no taxes despite its conversion into a purely commercial enterprise. If it should be insisted that the N.M.R. has not the obligation to extend such service Manchukuo would be compelled, it may be declared at this juncture, to consider the other means of maintaining the administrative organs in the region traversed by the N.M.R., namely the collection of proper taxes on the profits of the railway.

Reference is made by the Soviet Delegation in their statement of July 14 to the negotiations between Japan and Russia that were once conducted on the sale of the section of the railway between Kuanchengtsu and Laoshaokou. We do not know what price was offered by Japan on that occasion. If she had consented to purchase the railway at a price such as is quoted by the Soviet Delegation, we are inclined to suppose that Japan was then willing to pay an unduly high price by reason of her policy of attracting traffic to the South Manchurian Railway, or for some other special considerations. At any rate, to-day and in the entirely changed circumstances such an obsolete illustration will not serve to boost the value of the N.M.R.

The statement of the Soviet Delegation makes it appear as though the N.M.R. roads and tracks and all the auxiliary property were in a splendid condition. On the contrary, it is a universally acknowledged fact that the tracks, bridges, stations and all the property have fallen into a state of dilapidation, and impartial observers are agreed on the opinion that before the property could be made of a real use to Manchukuo vast sums of money would have to be expended on the necessary repairs.

Viewed in the light of these undeniable facts, that the N.M.R.

per se had lost the greater part of its value, and none of its auxiliary property can be maintained save at a loss, the appraisals of the railway and of its auxiliary property, as submitted by the Soviet Delegation, are absolutely unacceptable. The Manchukuo Delegation reiterate their stand that Manchukuo is willing to purchase the rights of the Soviet Union in the N.M.R. and its auxiliary property at the price of 50,000,000 yen and on the condition that all the existing obligations of the N.M.R. to third parties are to be borne by the government of the U.S.S.R. The payment of a higher price is impossible from the standpoint of Manchukuo's financial capacity as well as from that of the present intrinsic value of the N.M.R. itself. It is earnestly hoped that the Soviet Delegation will, upon a thorough appreciation of the facts and circumstances stated above, and through the acceptance of the terms proposed by Manchukuo, make possible a successful conclusion of the negotiations, which have a significant bearing upon the stabilization of the international situation in the Far East.

I. Agreement between Manchoukuo and the Union of Soviet Socialist Republics for the cession to Manchoukuo of the Rights of the Union of Soviet Socialist Republics concerning the Chinese Eastern Railway (the North Manchuria Railway), March 23, 1935.

Manchoukuo and the Union of Soviet Socialist Republics being desirous to settle the question of the Chinese Eastern Railway (the North Manchuria Railway) and thus to contribute to the safeguards of peace in the Far East, have resolved to conclude an Agreement for the cession to Manchoukuo of the rights of the Union of Soviet Socialist Republics concerning the Chinese Eastern Railway (the North Manchuria Railway), and have to that end named as their Plenipotentiaries, that is to say: The Government of Manchoukuo: W. S. Y. Ting, Envoy Extraordinary and Minister Plenipotentiary to Japan; Chuichi Ohashi, Vice-Minister for Foreign Affairs; Wu Tsesheng, Adviser to the Directorate General of the Chinese Eastern Railway (the North Manchuria Railway); The Government of the Union of Soviet Socialist Republics: Constantin Constantinovitch Youreneff, Member of the Central Executive Committee of the Union of Soviet Socialist Republics and the Plenipotentiary Representative of the Union of Soviet Socialist Republics in Japan; Benedict Ignatievitch Kozlovsky, Chief of the Department of the People's Commissariat for Foreign Affairs; Stepan Matveevitch Kuznetsoff, Vice-Chair-

man of the Board of Directors of the Chinese Eastern Railway (the North Manchuria Railway);

who, having communicated to each other their respective full powers found to be in good and due form, have agreed upon the following articles:

Article I.

The Government of the Union of Soviet Socialist Republics shall cede to the Government of Manchoukuo all the rights they possess concerning the Chinese Eastern Railway (the North Manchuria Railway), in consideration of which the Government of Manchoukuo shall pay to the Government of the Union of Soviet Socialist Republics the sum of One Hundred and Forty Million (140,000,000) yen in Japanese currency.

Article II.

All the rights of the Government of the Union of Soviet Socialist Republics concerning the Chinese Eastern Railway (the North Manchuria Railway) shall pass to the Government of Manchoukuo upon the coming into force of the present Agreement, and at the same time the Chinese Eastern Railway (the North Manchuria Railway) shall be placed under the complete occupation and sole management of the Government of Manchoukuo.

Article III.

Upon the coming into force of the present Agreement, the senior Members of administration of the Chinese Eastern Railway (the North Manchuria Railway) who are citizens of the Union of Soviet Socialist Republics shall be released from their duties. The said senior members of the administration of the Railway shall hand over all the archives, records, papers and documents of whatever description in their charge to their respective successors in the new administration of the Railway.

It is understood that the term 'senior members of administration of the Chinese Eastern Railway (the North Manchuria Railway)' employed in the present Article indicates: (a) all the members of the Board of Directors and of the Audit Committee. (b) The General Manager and the Assistant Manager of the Administration. (c) The assistant Chief Controller. (d) All the managers and sub-managers of Departments of the Board of Directors, Audit Committee, Control and Administration. All the agents for Commission, Engineers for Commission. All senior agents, advisers and chiefs of sections and sub-sections.

2. With the aim of ensuring a normal functioning of the Railway, the Government of the Union of Soviet Socialist Republics agree to place at the disposal of the new administration the following persons from among the senior members of the administration of the Railway who are citizens of the Union of Soviet Socialist Republics as advisers for one month from the date of coming into force of the present Agreement: (a) The General Manager of the Administration. (b) The Manager of General Affairs of the Office of Administration. (c) The Manager of the Motive Power Department of Administration. (d) The Chief of the Financial Department of the Administration.

3. At any time after the coming into force of the present Agreement, the Government of Manchoukuo may dismiss any or all of the following persons: (a) All the Chiefs of the railway sections, stations and depots. (b) The Chiefs of all the following auxiliary enterprises of the Railway: a. Forest concessions and lumbering. b. Coalmines. c. Power Stations. d. Printing Plant. e. Auxiliary enterprises of the commercial department. f. Nursery and greenhouses in Harbin. g. Main workshops of the Ways Department. h. Woolwashing works and hydroloading-works. i. Waterworks in Harbin. j. Softdrinks factory. k. Sawmill. l. Gradations of Beans. m. Wastecleaning works. n. Grand Hotel. o. Health Resort and Sanatoria. p. Hospitals and Clinics. q. Library. r. Economic Bureau.

4. Persons referred to in Section I of the present Article shall have the right to remain in Manchoukuo and to retain their railway lodgings for one month after the coming into force of the present Agreement.

Persons referred to in Section 2 of the present Article shall have the right to remain in Manchoukuo and retain their railway lodgings for two months after the coming into force of the present Agreement.

Those persons who have been dismissed by virtue of Section 3 of the present Article shall have the right to receive their regular salary for one month from the date of their dismissal. They shall have the right to remain in Manchoukuo and to retain their railway lodgings for two months from the date of their dismissal.

Article IV.

The Government of Manchoukuo shall succeed to assets and liabilities of the Chinese Eastern Railway (the North Manchuria Railway) in accordance with the list of Assets and Liabilities of

the Railway as on December 31, 1933, presented by the Delegation of the Government of the Union of Soviet Socialist Republics on March 22, 1934, to the Delegation of the Government of Manchoukuo through the Minister of Foreign Affairs of Japan as supplemented by lists which were made on ellipsis and ellipsis, 1935, in order to show the changes sustained by assets and liabilities included in the first list from the date of the first list up to the date of the last list and also to show new assets and liabilities which have risen on and after January 1, 1934.

It is agreed that the provisions of Section 4, Article IX of the Agreement on the general principles for the settlement of questions between the Union of Soviet Socialist Republics and the Republic of China signed at Peking on May 31, 1924, and those of Section 3, Article 1 of the Agreement between the Government of the Union of Soviet Socialist Republics and the Government of the Autonomous Three Eastern Provinces of the Republic of China signed at Mukden on September 20, 1924, shall remain in force.

Article V.

The Government of the Union of Soviet Socialist Republics shall have the right to maintain the following property for the use of their Consulate-General in Harbin in the form of a permanent and rent-free lease: A. The land and buildings now occupied by the said Consulate-General: the locality: Yiochingkai, Chinchia-kang. Area: 14,873.68 square metres. Buildings: Office, Number 1649; 2,174.90 square metres. Residence, Number 1047; 685.37 square metres. Residence, Number 1048; 1,447.61 square metres. Garage and its annex, Number 1052; 245.88 square metres. Guardroom, Number 1052; 38.90 square metres.

B. Land and buildings now occupied by the officials of the said Consulate-General: locality: Haichenckai, Chinchiakang. Area: 2,530 square metres. Building: Number 934; 258.51 square metres.

The following property shall be leased rent-free and *sine die* to the Consul-General of the Union of Soviet Socialist Republics in Harbin on the day of the coming into force of the present Agreement, and shall immediately thereafter be placed and remain under occupation and management of the community of citizens of the Union of Soviet Socialist Republics in Harbin to be used solely for purposes prescribed hereunder:

A. The 4th School of the Chinese Eastern Railway (the North Manchuria Railway), situated at No. 35, Shangwukai, Taoli,

Harbin, with all the buildings and property to be found there, to be used for elementary and secondary education of the said community.

B. The land known under No. 949, at the corner of Kaoshikai and Chingchakai, Taoli, Harbin, with all the buildings on it, which are to be used in future as a hospital.

Within one month from the date of the coming into force of the present Agreement, a library shall be selected for the use of the above-mentioned Fourth School, from the books of the Chinese Eastern Railway (the North Manchuria Railway) library in Harbin, by a mutual agreement between the local authorities of Manchoukuo and the Consul-General of the Union of Soviet Socialist Republics in Harbin. The books so selected shall be transferred to the said school.

Article VI.

The properties occupied by the Chinese Eastern Railway (the North Manchuria Railway) which are claimed by the Government of the Union of Soviet Socialist Republics as belonging to them and not to the Railway, and the properties existing in the territory of the Union of Soviet Socialist Republics which are claimed by the Government of Manchoukuo as belonging to the Chinese Eastern Railway (the North Manchuria Railway), are regarded as having been mutually renounced by the respective Governments in favour of the other Government, and neither Government shall in the future raise against the other Government any demand concerning the said properties.

The above provisions shall not apply to properties (buildings and their sites and other railway properties) of the Transbaikalian Railway now existing at Manchuli, and properties of the Ussuri Railway now existing at Suifenhö, which are actually occupied respectively by the said two Railways and shall remain their property under their management.

Article VII.

Out of the sum of One Hundred and Forty Million (140,000,000) yen in Japanese currency referred to in Article I of the present Agreement, the sum of Forty-Six Million Seven Hundred Thousand (46,700,000) yen shall be paid in cash in accordance with the provisions of Article VIII of the present Agreement, and the settlement for the remaining sum of Ninety Three Million Three Hundred Thousand (93,300,000) yen shall be reflected in the

form of payments made by the Government of Manchoukuo for goods delivered to the Government of the Union of Soviet Socialist Republics in accordance with the provisions of Article IX of the present Agreement.

Article VIII.

Out of the sum of Forty Six Million Seven Hundred Thousand (46,700,000) yen to be paid in cash in accordance with the provisions of Article VII of the present Agreement, the sum of Twenty Three Million Three Hundred Thousand (23,300,000) yen shall be paid simultaneously with the signing of the present Agreement.

The remaining sum of Twenty Three Million Four Hundred Thousand (23,400,000) yen as well as the simple interest at the rate of three per cent. per annum is to be paid by the Government of Manchoukuo to the Government of the Union of Soviet Socialist Republics in the form of Treasury Bonds of the Government of Manchoukuo. The said Treasury Bonds are to be issued of following amounts and mature on dates indicated hereunder: six million three hundred and seventy-six thousand five hundred (6,376,500) yen maturing on December 23, 1935; six million two hundred and forty-four thousand eight hundred and seventy-five (6,244,875) yen maturing on September 23, 1936; six million one hundred and thirteen thousand two hundred and fifty (6,113,250) yen maturing on June 23, 1937; five million nine hundred and eighty-one thousand six hundred and twenty-five yen maturing on March 23, 1938. The Treasury Bonds of the Government of Manchoukuo mentioned above are to be issued in favour of the Government of the Union of Soviet Socialist Republics and are to be delivered by the Representative of the Government of Manchoukuo to the Representative of the Government of the Union of Soviet Socialist Republics, simultaneously with the signing of the present Agreement, and shall be laid at the Industrial Bank of Japan, Limited.

In case the exchange rate of yen in the terms of a Swiss franc calculated on the basis of the respective exchange rates of yen and Swiss franc in London on the day before the date of payment of any of the second and subsequent instalments provided for in the present Article should be lower or higher by eight per cent. or more in comparison with the exchange rate of yen in the terms of a Swiss franc as calculated on the basis of the respective exchange rate of yen and Swiss franc in London on the date of the

coming into force of the present Agreement, the amount of the said instalment shall be increased or reduced, as the case may be, so that the value of the Swiss franc of the instalment shall be the same as it is on the date of the coming into force of the present Agreement.

In case the present gold parity of the Swiss franc (one Swiss franc being equivalent to nine thirty-firsts of one gramme of fine gold) should be altered or in case the convertibility of the Swiss franc into gold should be suspended, the following method shall be adopted in place of the method provided for in the preceding paragraph: in case the weight of fine gold whose value, when calculated on the basis of the price of gold and exchange rate of yen in London on the day before the date of payment of any of the second and subsequent instalments provided for in the present Article, is equal to the amount of the instalment, should be less or more by eight per cent. or more in comparison with the weight of fine gold whose value, when calculated on the basis of the price of gold and exchange rate of the yen in London on the date of the coming into force of the present Agreement, is equal to the said instalment, the amount of the instalment shall be increased or reduced, as the case may be, so that the value in fine gold of the instalment shall be the same as it is on the date of the coming into force of the present Agreement.

Article IX.

The settlement for the sum of Ninety Three Million Three Hundred Thousand yen, to be effected in the form of payments made by the Government of Manchoukuo for the goods delivered to the Government of the Union of Soviet Socialist Republics, as provided for in Article VII of the present Agreement, shall be executed in the following manner:

1. The Trade Representation of the Union of Soviet Socialist Republics in Japan will make contracts for the purpose of goods produced or manufactured in Manchoukuo or Japan, with subjects or juridical persons of either of these two countries, up to the sum of Ninety Three Million Three Hundred Thousand yen indicated in Article VII within the period of six months from the date of the coming into force of the present Agreement. The delivery of goods thus purchased shall be effected to the Trade Representation in Japan by the above-mentioned subjects or juridical persons within the period of three years from the date of the coming into force of the present Agreement in accordance with

the terms of contracts concerned, it being understood that the goods so delivered in the course of each of the six equal periods of six months constituting the said three years shall not exceed in value the sum of Thirty One Million One Hundred Thousand yen and that the total amount of goods delivered in the course of each of the three equal periods of one year constituting the said three years shall not exceed in value the sum of Thirty One Million One Hundred Thousand yen.

2. The terms of payment for the goods shall be arranged in such a way that for each such period of six months in the course of the said three years the Government of Manchoukuo shall make a payment not exceeding the sum of Fifteen Million Five Hundred and Fifty Thousand yen for the delivery of goods mentioned in the foregoing section and in case any balance of that sum shall for any reason remain unpaid at the end of any such period of six months, such balance shall be paid off during the next six months and so on, so that the whole sum of Ninety Three Million Three Hundred Thousand yen shall be paid off by the end of the said three years.

3. It is agreed that should the above-mentioned contracts not be concluded within the period of six months after the coming into force of the present Agreement, the Trade Representation shall have the right to make such contracts after the expiration of the said period of six months, and further that, should any parties other than the Trade Representation to contracts concluded in accordance with the foregoing provisions of the present Article fail to carry out such contracts or to fulfil such contract in a proper manner for which reason these contracts are abrogated, the Trade Representation shall in each case have the right to conclude a fresh contract with other subjects or juridical persons of Manchoukuo or Japan, in which case the latter contracts may provide for payment for and delivery of goods to be effected after the three years' term above mentioned.

4. The contracts mentioned in the present Article shall be concluded either c.i.f. or f.o.b. at the choice of the Trade Representation and shall provide for payments in cash for the goods by the Government of Manchoukuo.

5. When the Representation have concluded a contract for the purchase of goods with subjects or juridical persons of Manchoukuo or Japan, the Trade Representation shall give the Financial Attaché to the Legation of Manchoukuo in Japan a résumé of the contract, a description mentioning the names of the parties to the

contract, the place of origin and the quantity of goods, the total amount of the sums to be paid, the date and place of delivery of the goods and of payment therefor, as well as any other terms of payment and delivery, including any provisions for payment in advance. The said résumé shall be attested by both parties to the contract. Besides this, so far as circumstances permit, the certificates of origin issued by any Chamber of Commerce and Industry in Manchoukuo or Japan in respect of goods, or by any other organization authorized to issue such certificates by the Government of either of these two countries, shall be presented to the Financial Attaché by the seller of the goods.

The Financial Attaché, upon the receipt of the résumé of the contract, provided its contents do not conflict with the provisions of the present Article, shall notify, not later than within seven days thereafter, the Trade Representation and the Seller of goods concerned to the effect that the Government of Manchoukuo undertake to effect payment for goods in conformity with the said résumé of the contract.

For the purpose of obtaining settlement of his accounts the Seller of goods shall hand to the Trade Representation a document entitling the Trade Representation to dispose of the said goods (bill of lading, invoice, &c.).

The Financial Attaché, upon the receipt of the notification given by the Trade Representation to the effect that the delivery of goods referred to in the résumé of the contract has been accomplished, shall issue a cheque to order drawn upon the Industrial Bank of Japan, Limited, as payer, seller of goods as payee and price of goods as its face amount, and shall deliver it to the seller on the date of payment, and, in case the presentation of the certificates of origin of goods above referred to shall have been presented at the time of presentation of the résumé of the contract, against such certificates. The seller of the goods shall give a receipt for the said cheque. A payment in advance to the Seller of the goods may be effected in a similar manner by the Financial Attaché in conformity with the résumé of contract against the advice of the Trade Representation to the effect that such payment shall be made.

6. It is understood that in the present Article the term 'goods manufactured in Manchoukuo or Japan' indicates goods manufactured within either of the said two countries from raw materials imported from any other countries as well as from raw materials produced in either, and that the term 'juridical persons of

Manchoukuo or Japan' indicates juridical persons which are or may be incorporated in accordance with the law of Manchoukuo or Japan respectively.

Article X.

1. A three months' notice shall be given to each of the employees of the Chinese Eastern Railway (the North Manchuria Railway), other than those included in the provisions of Article III of the present Agreement, who are citizens of the Union of Soviet Socialist Republics and whom the Government of Manchoukuo may desire to dismiss for reasons and convenience on the part of the Government of Manchoukuo after the coming into force of the present Agreement.

2. The employees of the Chinese Eastern Railway (the North Manchuria Railway) who are citizens of the Union of Soviet Socialist Republics shall have the right to remain in Manchoukuo for two months after their dismissal in order to dispose of their personal affairs.

3. The employees of the Chinese Eastern Railway (the North Manchuria Railway) who are citizens of the Union of Soviet Socialist Republics shall continue in full enjoyment of their rights in movable and immovable property in accordance with the laws of Manchoukuo.

4. The employees of the Chinese Eastern Railway (the North Manchuria Railway) who are citizens of the Union of Soviet Socialist Republics shall enjoy the full right to dispose of their property in accordance with the laws of Manchoukuo and to carry their property out of Manchoukuo either in its original form or in its money equivalent in any foreign currency.

5. The employees of the Chinese Eastern Railway (the North Manchuria Railway) who are citizens of the Union of Soviet Socialist Republics and who have retired through dismissal or of their own accord and who leave for the territory of the Union of Soviet Socialist Republics within two months after their retirement, shall be granted the privilege of free transport over the Chinese Eastern Railway (the North Manchuria Railway) for themselves, their families and their personal and household effects either to the station of Manchuli or the 59 Station of Suifenh, at their own option.

Article XI.

1. Various descriptions of the retiring allowances and payments —(discharge allowances and other sums due to the employees in

respect of service on the Railway, employees' savings in relief savings association and payments additional thereto on the part of the Railway including the interest, pensions and bloc grants in accordance with the regulations of the relief savings association, as well as pensions and compensations for personal injuries according to 'Regulations of 1912 Relating to Indemnification of persons who have met with accidents')—to the employees of the Chinese Eastern Railway (the North Manchuria Railway) who are citizens of the Union of Soviet Socialist Republics and who may be dismissed or may retire of their own accord after coming into force of the present Agreement, so far as such allowances and payments are in respect of the period before the coming into force of the present Agreement, shall be individually reckoned and paid out in accordance with the regulations of the Chinese Eastern Railway (the North Manchuria Railway) in force up to the date of the coming into force of the present Agreement, as modified by the provisions of the present Article.

Note. The discharge allowances for the period up to November 11, 1930, are to be paid according to the rates existing up to November 11, 1930.

2. The employees who are citizens of the Union of Soviet Socialist Republics and who are dismissed or retire of their own accord after the coming into force of the present Agreement shall be considered as employees who have been dismissed as a result of abolition of offices, so far as concerns the calculations of various descriptions of retiring allowances and payments.

3. The discharge allowances and other payments relative to the service concerning the Railway, and compensation for injuries sustained in such service, as well as savings and prescribed interest thereon, shall be paid within a fortnight from the day of dismissal or retirement, provided that in respect of persons who shall be dismissed, half the amount of such savings shall be paid within two months from the date of notice of such dismissal.

Bloc grants to persons who have been in the service of the Railway for less than ten years as well as payments additional to savings together with the prescribed interest thereon shall be paid in four equal instalments within two years from the date of dismissal or retirement. The first instalment shall be paid within a fortnight, and the second instalment at the end of the year after the date of dismissal or retirement, the third and fourth instalments shall be paid at the end of respectively six and twelve months after the payment of the second instalment. As regards

the last three of these instalments, the Government of Manchoukuo shall issue bonds for amounts due drawn up in the name of respective persons and maturing on dates prescribed above. These bonds shall be delivered to respective recipients simultaneously with the payment of the first instalment above referred to and shall not be transferred thereafter to any other person.

Persons who have been in the service of the Railway for ten years or more shall be deemed entitled to pensions without undergoing examination of their working efficiency, and the said pensions, instead of being annually, shall be paid in bloc grant, that is to say, a sum eight and half times the sum payable annually in respect of pensions shall be paid to recipients in four equal instalments in the course of two years, in accordance with the provisions of the preceding paragraph.

Note 1. The examination of the working efficiency of employees who have been in the service of the Railway for less than ten years will be effected according to regulations of the Chinese Eastern Railway (the North Manchuria Railway) in force up to the date of the coming into force of the present Agreement.

Note 2. Pensions for personal injuries, instead of being paid annually, shall be paid in bloc grants, that is to say, a sum eight and a half times the sum payable annually shall be paid to recipients in the same manner as for persons who have been in the service of the Railway for ten years or more.

4. The employees of the Chinese Eastern Railway (the North Manchuria Railway) who are in debt to the Railway shall have the sum of their indebtedness deducted from various descriptions of retiring allowances and other payments due to them.

5. Various descriptions of retiring allowances and payments shall be paid in the currency of Manchoukuo at the exchange rate against the rouble of the Chinese Eastern Railway (the North Manchuria Railway) existing at the date of the coming into force of the present Agreement and applied by the said Railway for settlements with their employees. The recipients of these retiring allowances and payments shall be allowed to remit the money they have received to other countries after having converted it into foreign currency.

6. Various descriptions of retiring allowances and payments and the Bonds of the Government of Manchoukuo shall be paid or delivered to legal recipients direct, but persons who have returned to the territory of the Union of Soviet Socialist Republics can empower the Consul-General of the Union of Soviet Socialist

Republics in Harbin or any other person to receive them. Persons who have given such authority shall at the same time inform the Chinese Eastern Railway (the North Manchuria Railway) to that effect.

7. Those persons who have retired before the coming into force of the present Agreement and are now being paid pensions shall continue to receive pensions as previously in accordance with the regulations of the Chinese Eastern Railway (the North Manchuria Railway) in force up to the date of the coming into force of the present Agreement, irrespective of whether the said regulations shall remain in force, be modified or abrogated thereafter. In this case section 5 of the present Article shall be applied as regards the exchange rate against the rouble of the Chinese Eastern Railway (the North Manchuria Railway), and, in case the legal recipients should be returning or should have returned to the territory of the Union of Soviet Socialist Republics, as regards remittances to other countries.

8. The sums which are to be paid out by the Administration of Relief Savings Association of the Chinese Eastern Railway (the North Manchuria Railway) to employees who are citizens of the Union of Soviet Socialist Republics and of which neither the legal recipients nor their proxies or successors have demanded payment up to the date of the coming into force of the present Agreement shall be disposed of in accordance with the regulations of the Chinese Eastern Railway (the North Manchuria Railway) in force up to the date of the coming into force of the present Agreement.

9. The employees who have been dismissed or have retired after the coming into force of the present Agreement shall, during the period of one month from the date of their dismissal or retirement retain their full rights with regard to their railway lodgings, under the same conditions as before.

Article XII.

It is understood that the term 'the Chinese Eastern Railway (the North Manchuria Railway)' includes all the rights, enterprises and property appurtenant thereto.

Article XIII.

The Governments of Manchoukuo and of the Union of Soviet Socialist Republics with the view to promote and facilitate the intercourse and traffic between the two countries, shall conclude,

within three months from the date of the coming into force of the present Agreement, a separate agreement which will provide for the settlement of questions concerning the conveyance of passengers, luggage and goods in transit, direct service for passengers, luggage and goods between the railway stations of the Union of Soviet Socialist Republics and those of the Chinese Eastern Railway (the North Manchuria Railway), and also technical conditions permitting direct services without reloading of goods between the Ussuri Railway and the Chinese Eastern Railway (the North Manchuria Railway) via the station of Suifenho.

Within the period of the said three months, the two Governments shall conclude another separate agreement which will provide for the telegraphic connexion between the telegraphic lines hitherto operated by the Chinese Eastern Railway (the North Manchuria Railway) and those of the Union of Soviet Socialist Republics.

Article XIV.

The present Agreement shall come into force on the date of its signature.

In Witness whereof the respective Plenipotentiaries have signed the present Agreement and have affixed thereto their seals.

Done in duplicate in the English language in the city of Tokyo, this 23rd day of the Third month of the Second year of Kangteh, corresponding to the 23rd day of March, 1935.

PROTOCOL.

Whereas the Agreement between Manchoukuo and the Union of Soviet Socialist Republics for the cession to Manchoukuo of the rights of the Union of Soviet Socialist Republics concerning the Chinese Eastern Railway (the North Manchuria Railway) was signed at Tokyo on March 23, 1935; whereas the said Agreement provides that the settlement for a certain portion of the sum to be paid by the Government of Manchoukuo to the Government of the Union of Soviet Socialist Republics in consideration of the said cession shall be effected in the form of payments made by the former Government for goods delivered to the latter Government; whereas the said Agreement also provides with regard thereto that the Trade Representation of the Union of Soviet Socialist Republics in Japan will purchase goods produced or manufactured in Japan or Manchoukuo from subjects or juridical persons of either

of these two countries; whereas it is essential that the transactions between the said Trade Representation and subjects or juridical persons of Japan and Manchoukuo be fairly and normally concluded; and whereas the Government of Japan are ready to contribute in the spirit of goodwill to the fulfilment of the aforesaid Agreement; now the Governments of the Union of Soviet Socialist Republics, Japan and Manchoukuo have agreed upon the following articles:

Article I.

When the Trade Representation of the Union of Soviet Socialist Republics purchases goods produced or manufactured in Japan or Manchoukuo from subjects or juridical persons of either of these two countries in accordance with Article IX of the Agreement between the Union of Soviet Socialist Republics and Manchoukuo for the cession to Manchoukuo of the rights of the Union of Soviet Socialist Republics concerning the Chinese Eastern Railway (the North Manchuria Railway), the Governments of Japan and Manchoukuo shall afford all the possible facilities and assistance to the Trade Representation in order that the negotiations conducted may be fair and normal in such manner as to ensure the conclusion of the purchase contracts within six months from the date of the coming into force of the above-mentioned Agreement and that the purchase contracts may be fulfilled exactly.

It is understood that in the present Protocol the terms 'goods manufactured in Japan or Manchoukuo' and 'juridical persons of Japan or Manchoukuo' are respectively used in the meaning given by Article IX of the above-mentioned Agreement.

Article II.

The Government of Japan and the Government of Manchoukuo declare that they are prepared to take necessary measures through the authorities concerned, in order that the subjects or juridical persons as aforesaid, in their negotiations for contracts with the Trade Representation, may not ask for unduly high prices, thereby making the conclusion of contracts impossible.

The Government of the Union of Soviet Socialist Republics declare that they are prepared to take necessary measures with the Trade Representation, so that the Trade Representation, in its negotiations for contracts with subjects or juridical persons of Japan and Manchoukuo, may not ask for unduly low prices, thereby making the conclusion of contracts impossible.

Article III.

In the negotiations for the conclusion of purchase contracts, in case the Trade Representation and the subjects and juridical persons of Japan or Manchoukuo come to disagreement with regard to the price of goods as well as any other terms of payment for and delivery of goods, the parties to the negotiations can jointly or independently apply for mediation regarding the disagreement to a standing mediation commission, which shall be constituted within ten days after the coming into force of the present Protocol and which shall consist of two commissioners appointed by the Government of the Union of Soviet Socialist Republics, one by the Government of Japan and one by the Government of Manchoukuo.

The mediation commission, when they have received such an application shall come to what they deem fair opinion and shall recommend either or both parties to negotiations to conclude a contract in accordance with the said opinion. In case of application with regard to price of goods, the commission in deciding such opinion shall adopt as standard the price of such goods at appropriate exchange in Japan or Manchoukuo, or, in the absence of any such price, the export price, or, in default of any export price, wholesale price, obtaining in the principal appropriate market of Japan or Manchoukuo, as the case may be, while with regard to goods the price of which cannot be fixed on the basis of price at the exchange, export price or wholesale price as above mentioned, the commission shall fix a fair price on the basis of the whole of the information available with regard to those goods.

The consideration of every case by the mediation commission shall be completed within the term of six weeks from the day they have received the application.

Article IV.

In case the Trade Representation and subjects or juridical persons of Japan or Manchoukuo find themselves in disagreement as regards the fulfilment of obligations provided for by the purchase contract concluded between them the parties can apply jointly or independently for mediation regarding the disagreement to the mediation commission mentioned in the first paragraph of Article III, provided that the contract includes a provision to the effect that either party can present such an application.

The mediation commission, when they have received such an application, shall examine the provisions of the contract concerned and all matters relative to disagreement and shall arrive at what they deem fair opinion and recommend to either or both parties to settle the disagreement in accordance with the said opinion.

The term for the consideration of the question by the mediation commission in the circumstance of the present Article shall be the same as in the case of Article III.

Article V.

In case the mediation commission come to no decision within the prescribed term for consideration or should the decision arrived at fail to remove the difficulties within the term of two weeks, the matter shall be transferred, upon application of either or both parties to disagreement, to negotiations between the contracting Governments concerned for a fair and appropriate solution, provided that there exists an agreement in advance between the parties to that effect.

Article VI.

It is understood that should both parties concerned desire, an agreement may be laid down in contract or otherwise providing that decision arrived at by the mediation commission or through negotiations between the contracting Governments concerned in conformity with the provisions of Articles III, IV and V of the present Protocol shall be binding upon both parties, in which case such decision shall take effect in a manner contemplated by the said Agreement.

Article VII.

The present Protocol shall come into force on the date of its signature.

In Witness whereof the Undersigned, duly authorized by their respective Governments, have signed the present Protocol and have affixed thereto their seals.

Done in triplicate in the English language in the city of Tokyo, this 23rd day of March, 1935, corresponding to the 23rd day of the Third month of the 10th year of Showa, corresponding to 23rd day of the Third month of the Second year of Kangteh.

Notes to be exchanged between Japan and the Union of Soviet Socialist Republics

Tokyo, March 23, 10 Showa (1935)

Monsieur l'Ambassadeur,

In accordance with the desire expressed by Your Excellency on behalf of the Government of the Union of Soviet Socialist Republics in the course of the negotiations concerning the conclusion of the Agreement for the cession to Manchoukuo of the rights of the Union of Soviet Socialist Republics concerning the North Manchuria Railway (the Chinese Eastern Railway), signed this day by the Plenipotentiaries of the Union of Soviet Socialist Republics and Manchoukuo, I have the honour to inform you as follows: in view of the close and special relations existing between Japan and Manchoukuo, the Japanese Government undertake to guarantee the exact fulfilment by the Government of Manchoukuo, within the respective limits of the time set forth by the above-mentioned Agreement, of all obligations of payment, in money as well as in goods, which the Government of Manchoukuo are under in favour of the Government of the Union of Soviet Socialist Republics as the result of such cession in accordance with Article VII of the said Agreement.

I avail myself of this opportunity, &c.,

(Signed) K. HIROTA.

Notes to be exchanged between Japan and the Union of Soviet Socialist Republics

Tokyo, March 23, 10 Showa (1935)

Monsieur l'Ambassadeur,

As the result of the guarantee given this day by the Japanese Government to the Government of the Union of Soviet Socialist Republics regarding the fulfilment by the Government of Manchoukuo of all the obligations of payment which the latter are under in favour of the Government of the Union of Soviet Socialist Republics in accordance with the provisions of the Agreement for cession to Manchoukuo of the rights of the Union of Soviet Socialist Republics concerning the North Manchuria Railway (the Chinese Eastern Railway) signed this day by the Plenipotentiaries of the Union of Soviet Socialist Republics and Manchoukuo, I have the honour to inform your Excellency as follows: in case any difficulties should arise in connexion with the execution of payments on the part of the Government of Manchoukuo, the

Japanese Government will make every effort necessary under given circumstances in order that the Government of the Union of Soviet Socialist Republics may receive all payments due to them from the Government of Manchoukuo wholly and within respective limits of times prescribed by the said Agreement, so that the Government of the Union of Soviet Socialist Republics may suffer absolutely no loss in connexion with the said difficulties.

I avail myself of this opportunity to, &c.

(Signed) K. HIROTA.

Tokyo, March 23, 1935.

Monsieur le Ministre,

I have the honour to acknowledge the receipt of Your Excellency's note of to-day's date, in which you are good enough to inform me as follows:

'In accordance with the desire expressed by Your Excellency on behalf of the Government of the Union of Soviet Socialist Republics in the course of negotiations concerning the conclusion of the Agreement for the cession to Manchoukuo of the rights of the Union of Soviet Socialist Republics concerning the North Manchuria Railway (the Chinese Eastern Railway), signed this day by the Plenipotentiaries of the Union of Soviet Socialist Republics and Manchoukuo, I have the honour to inform you as follows: in view of the close and special relations existing between Japan and Manchoukuo, the Japanese Government undertake to guarantee the exact fulfilment by the Government of Manchoukuo, within respective limits of time set forth by the above-mentioned Agreement, of all obligations of payment, in money as well as in goods, which the Government of Manchoukuo are under in favour of the Government of the Union of Soviet Socialist Republics as the result of such cession in accordance with Article VII of the said Agreement.'

In reply, I beg to state that I take note of your communication as above mentioned.

I avail myself of this opportunity, etc.

(Signed) C. YOURENEFF.

THE FINAL PROTOCOL

In proceeding this day to the signature of the Agreement between the Union of Soviet Socialist Republics and Manchoukuo

for cession to Manchoukuo of the rights of the Union of Soviet Socialist Republics concerning the Chinese Eastern Railway (the North Manchuria Railway), the Plenipotentiaries of the Union of Soviet Socialist Republics and Manchoukuo have agreed upon the following stipulation:

Article I.

1. It is understood that handing over of archives, records, papers and documents as stipulated in Section I of Article III of the Agreement is not intended to involve anything in nature of rendering accounts.

2. Whereas the new Administration of the railway is at liberty whether to adopt or note the advice given by advisers mentioned in Section 2 of Article III of the Agreement, the said advice can on no occasion result in any responsibility being imposed on the Government of the Union of Soviet Socialist Republics or on these persons.

Article II.

The stipulation of Article V of the Agreement concerning the property which is to be placed under the occupation and management of the community of citizens of the Union of Soviet Socialist Republics in Harbin shall not in any way preclude the application of the law of Manchoukuo as to said property, its occupation and management.

Article III.

The Government of Manchoukuo agree to grant subsidies, in the same manner as up to the date of the coming into force of the Agreement, to schools which are under the management of the 4th Section of the Educational Department of the Office of the Pin-Chiang province and used for the education of the children of the employees of the Chinese Eastern Railway (the North Manchuria Railway) who are citizens of the Union of Soviet Socialist Republics, for three months after the coming into force of the Agreement.

Article IV.

The school inventory purchased from the funds supplied by the parents who are citizens of the Union of Soviet Socialist Republics, as well as stage appurtenances acquired by the former Vice-Chairman of the Board of Directors of the Chinese Eastern Railway (the North Manchuria Railway) are to be turned over to the

Consul-General of the Union of Soviet Socialist Republics in Harbin as property not belonging to the Chinese Eastern Railway (the North Manchuria Railway).

Article V.

The Government of Manchoukuo take no exception to the liquidation of the Co-operative Society of the employees of the Chinese Eastern Railway (the North Manchuria Railway) in accordance with its articles and will permit certain members of the Society who are citizens of the Union of Soviet Socialist Republics and whose presence is required for the purpose of such liquidation to remain in Manchoukuo till the completion thereof.

Article VI.

Until the conclusion within the prescribed period of a separate Agreement concerning the telegraphic connexion provided for in Article XIII of the Agreement, the *status quo* of such connexion shall be maintained.

The present Final Protocol shall continue an integral part of the above-mentioned Agreement and come into force simultaneously with the said Agreement.

Done in duplicate in the English language in the city of Tokyo, this Twenty-third day of March, 1935, corresponding to the Twenty-third day of the Third month of the Second year of Kangteh.

APPENDIX IX

DECREE OF THE HIGH COMMISSIONER OF THE
FRENCH REPUBLIC IN SYRIA CONCERNING CUS-
TOMS TARIFFS (1926).

Arrêté No. 296

Monsieur Henry de Jouvenel, Sénateur, Haut-Commissaire de la République Française auprès des États de Syrie, du Grand Liban, des Alaouites et du Djebel Druze,

Vu les décrets du Président de la République Française en date des 23 novembre 1920 et 10 novembre 1925,

Vu les traités de commerce conclus en 1861 entre la Turquie d'une part et divers États européens et les États-Unis d'Amérique d'autre part,

Vu les règlements douaniers ottomans des 17 avril 1863, 1er avril 1909 et 31 décembre 1910,

Vu les arrêtés Nos. 467 du 19 novembre 1920, 743 du 26 février 1921, 970 du 28 juillet 1921 et 1671 du 18 novembre 1922 portant création et réglementation en Syrie et au Liban de l'expertise officielle,

Vu les arrêtés 1079 du 22 octobre 1921, 1424 du 27 janvier 1922, 1579 du 11 septembre 1922, 1658 du 4 novembre 1922, 1922 du 6 avril 1923 et 2320 du 7 décembre 1923 portant réglementation en Syrie et au Liban du remboursement des droits à la ré-exportation,

Vu l'arrêté No. 2542/1 du 3 avril 1924 relevant de 11 à 15 pour cent les droits de douane perçus à l'importation des marchandises,

Vu les arrêtés 2581 du 29 avril 1924 et 181/S du 23 juillet 1925, réglementant le régime tarifaire des alcools d'importation,

Vu l'arrêté No. 262 du 29 avril 1926 instituant une surtaxe sur les cartes à jouer,

Vu l'arrêté No. 281 du 7 mai 1926 élevant de 50 à 120 piastres par Kg., les droits perçus à l'importation des tobacs étrangers,

Sur le rapport de l'Inspecteur Général des Douanes,

Après avis du Comité d'Études Économiques,

Sur la proposition du Secrétaire Général.

ARRÊTÉ:

Article 1er. A compter du 1er juin 1926 les droits de douane ad valorem sont élevés, à l'importation, de 15 à 25 % à l'exception:

1° des articles suivants à l'égard desquels le taux de 11 % est maintenu

Animaux vivants	11%
Céréales et leurs farines	11%
Riz et farines de riz	11%
Pommes de terre	11%
Conserves alimentaires (viandes & poissons)	11%
Beurre	11%
Fromages	11%
Lait	11%
Dattes	11%
Eaux Minérales	11%
Bois et matériaux de construction à l'exclusion de ceux repris au tarif spécifique	11%

2° des articles dont la liste est annexée au présent arrêté et qui sont taxés d'après un tarif spécifique.

Les graines de vers à soie, de coton et de textiles sont exemptes de droits à l'importation.

Article 2. Par exception aux dispositions de l'article 1er les marchandises originaires de la Turquie seront provisoirement soumises au tarif spécial inséré au projet de convention du 22 septembre 1922 et qui figure en annexe au présent arrêté.

Article 3. Les marchandises en cours de transport et celles expédiées du pays d'origine antérieurement à la date d'application du présent arrêté bénéficieront de l'application de l'ancien tarif de 15%.

La date des expéditions sera attestée par les connaissements ou tous autres documents revêtus du visa du consul de France du pays d'origine.

Article 4. Pour obtenir à la réexportation, le bénéfice du remboursement des droits sur la base de 25% ou du tarif spécifique minimum les exportateurs seront tenus de produire pendant une période d'un an, les titres de perception attestant l'application du droit de 25 % ou du tarif spécifique minimum au moment de l'importation primitive des produits réexportés.

Article 5. A l'égard des pays ne faisant pas partie de la Société des Nations, mais à l'exclusion des États Unis et de la Turquie, il est institué à la date du 1er juin 1926, un tarif douanier maximum fixé:

1° à 50% de la valeur pour les marchandises taxées ad valorem;

2° au double du droit spécifique pour les produits admissibles à ce tarif.

Article 6. Par dérogation aux dispositions qui précèdent le tarif maximum de 50 % est abaissé à 25 % à l'égard des matières énumérées ci-après:

Animaux vivants	25%
Céréales	25%
Riz	25%
Farine de blé	25%
Pommes de terre	25%
Beurre	25%
Bois de construction	25%
Bois sciés	25%
Verres à vitres	25%
Carreaux ordinaires	25%
Engrais chimiques	25%
Machines agricoles	25%

Article 7. Le taux du remboursement des droits acquis à la réexportation, aux marchandises soumises au tarif général d'entrée, ne devra jamais dépasser 25% de la valeur ou le montant du droit spécifique minimum.

Pour bénéficier du taux de remboursement de 25% ou du tarif spécifique minimum, les exportateurs doivent produire les justifications visées à l'article 4 du présent arrêté.

Article 8. Les exemptions concédées à un titre quelconque à certaines importations en vertu de la réglementation ottomane ou par des textes émanant du Haut-Commissariat de la République Française en Syrie et au Liban ne sont maintenues qu'à l'égard des produits originaires des pays faisant partie de la Société des Nations, des États-Unis et de la Turquie.

Article 9. Le Secrétaire Général et l'Inspecteur Général des Douanes sont chargés, chacun en ce qui le concerne, de l'exécution du présent arrêté.

Beyrouth, le 15 mai 1926

signé: DE JOUVENEL

APPENDIX X

DECREE OF THE HIGH COMMISSIONER OF THE FRENCH REPUBLIC REGULATING COMMERCIAL EXCHANGES BETWEEN THE U.S.S.R. AND THE FRENCH MANDATORY STATES OF THE LEVANT.

Arrêté No. 187/LR du 11 décembre 1933 réglementant les échanges commerciaux entre l'union des Républiques Socialistes Soviétiques et les États du Levant sous Mandat Français.

Le Haut-Commissaire de la République Française,

Vu les décrets du Président de la République Française en date des 23 novembre 1920 et 16 juillet 1933,

Vu l'arrêté No. 296 du 15 mai 1926 déterminant le tarif des droits de douane à appliquer aux marchandises originaires des pays ne faisant pas partie de la Société des Nations,

Vu l'arrêté No. 2731 du 6 août 1929 accordant sous certaines conditions le bénéfice du tarif normal aux marchandises originaires de l'Union des Républiques Socialistes Soviétiques,

Vu l'utilité d'une amélioration des conditions des échanges commerciaux entre les États sous Mandat et l'Union des Républiques Socialistes Soviétiques,

ARRÊTÉ

Article 1. Par dérogation aux prescriptions de l'article 5 de l'arrêté No. 296 du 15 mai 1926, les marchandises originaires de l'Union des Républiques Socialistes Soviétiques n'acquitteront, à leur importation dans les États du Levant sous Mandat Français, que les droits du tarif normal, au lieu des droits du tarif maximum, lorsqu'il sera justifié, dans les conditions précisées à l'article 3, que ces marchandises sont expédiées à des négociants des États sous Mandat en contrevaletur de produits exportés par ces mêmes négociants à destination du territoire de l'Union.

Il est admis, toutefois, pour tenir compte des charges résultant pour l'Union des Républiques Socialistes Soviétiques des conditions inégales du transport maritime des marchandises entre les deux Pays, que les exportations soviétiques sur la Syrie et le Liban pourront excéder de 20% le montant des exportations libano-syriennes sur le territoire de l'Union.

Article 2. Par dérogation aux prescriptions de l'article 8 de l'arrêté No. 296 du 15 mai 1926, les exemptions concédées à un

titre quelconque, en tarif normal, à certaines importations en vertu de la réglementation en vigueur seront étendues aux marchandises originaires de l'U.R.S.S. lorsqu'elles seront importées dans les conditions et sous les réserves précisées à l'article 1 et à l'article 3 du présent arrêté.

Article 3. Pour bénéficier des dispositions du présent arrêté les importateurs de marchandises soviétiques auront à administrer la preuve au Service des Douanes de l'exportation antérieure, à destination de l'Union, de produits originaires des États sous Mandat Français et cette preuve consistera :

(1) dans la production d'un duplicata de déclaration d'exportation revêtue de certificats de vérification et de constatation de sortie par la Douane; le duplicata de la déclaration sera délivré à l'exportateur qui en fera la demande et l'apurement des déclarations d'exportation s'effectuera au fur et à mesure des importations de marchandises soviétiques augmentées du pourcentage visé au 2^e paragraphe de l'article 1er ci-dessus,

(2) dans la production d'une ampliation du connaissance portant une attestation, par l'agent de la Compagnie de navigation, que la marchandise a été chargée à destination de l'U.R.S.S.

Article 4. Il sera tenu, par les soins du service des Affaires Économiques du Haut-Commissariat, un compte courant des exportations respectives des deux Pays, d'après les relevés établis et remis périodiquement par le service des Douanes.

Article 5. Le bénéfice des dispositions des articles 1 et 2 pourra être consenti aux marchandises de toute nature originaires de l'Union des Républiques Socialistes Soviétiques.

Article 6. L'arrêté No. 2731 du 6 août 1929 est abrogé.

Article 7. Le Secrétaire Général, le Conseiller aux Affaires Économiques et l'Inspecteur Général des Douanes sont chargés, chacun en ce qui le concerne, de l'exécution du présent arrêté qui sera applicable à dater du 1er décembre 1933.

Beyrouth, le 11 décembre, 1933

Le Haut-Commissaire

Signé: D. DE MARTEL.

APPENDIX XI
 DETAILS OF SOVIET EXPORTS OF TIMBER TO
 CHINA, JAPAN, INDIA, AND EGYPT¹

China

(In tons)

	1929	1930	1931	1932	1933
Sawn wood	2,069	30,380	58,945	44,897	42,369
Veneers	245	461	1,014	397	1,460
Other timber	22,293	88,755	94,714	85,308	89,108

Japan

(In tons)

	1929	1930	1931	1932	1933
Sawn wood . . . . .	..	303	7,287	3,801	19,845
Veneers	119	275	519	218	303
Other timber	347,532	360,960	329,744	231,683	115,115

India

(In tons)

	1929	1930	1931	1932	1933
Sawn wood
Veneers	14	139	95
Other timber	2,439	..	..	..

Egypt

(In tons)

	1929	1930	1931	1932	1933
Sawn wood	233	22,563	59,715	60,189	92,559
Veneers	207	331	188	817	744
Other timber	310	5,222	88	1,586	1,083

¹ Cf. *Vishniavia Torgolia* for respective years.

APPENDIX XII

TEXT OF TREATY OF FRIENDSHIP BETWEEN THE YEMEN AND THE U.S.S.R. OF JULY 1928

(Cf. Arab journal, 'El-Eiman', reprinted in 'The Times' of 16 August 1929)

Article I. The Soviet Government recognizes the complete independence of the whole Yemen and its King H.M. the Imam Yahia Mohammed Hamia Ad Din.

Article II. There shall be a commercial union between the Soviet Government and the Government of the Imam, and the subjects of these two Governments shall have the privilege of and facilities for, transacting their own business with the consent, and the sanction of both Governments. Any subjects of the Soviet Government entering the Imam's territories must be obedient to the law of the Government of the Imam, and likewise any of the Imam's subjects, when in the territory of the Soviet Government, must be obedient to the law of that country.

Article III. The terms of this treaty to secure commercial advantages with friendly intercourse and goodwill are subject to the final ratification of both Governments. The Treaty must first be ratified by the Soviet Government and afterwards transmitted to the Imam's Government for final ratification.

Article IV. This agreement is to hold good for a period of 10 years, with effect from the date when it is finally completed and signed as set forth in Article III above. On the completion of the aforesaid time it will either be extended or altered according to the views of both Governments.

Article V. This friendly and commercial agreement is given the name of Sana Treaty. It consists of five clauses.

Signed at Sana on the 17th Jumad Al Awal 1347. Estakuff for the Soviet Government. Kadi Mohamed Rahib for the Government of the Imam.

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INDEX

A. = Appendix.

F.E.R. = Far Eastern Region.

C.E.R. = Chinese Eastern Railway.

- Afghanistan, Soviet trade with, 94-5, 118, 119.
- Agreements, Peking (1924), 53-4, for text *see* A. VII; Mukden (1924), 54, 71; Habarovsk (1929), 55, for text *see* A. VIII (F); Supplementary Soviet-Japanese Fishing (1932), 36, 39; *see also* Treaties, Conventions.
- Aigun Treaty (1858), 70.
- Amur railway, 5, 13, 18.
- Amur river, colonization of basin, 18, 125; gold deposits of, 6; Russia claims, 33; shipbuilding on, 48.
- Amur-Baikal railway, 16, 124.
- Arabia, Soviet trade with, 105-11.
- Ariva Bay, 33.
- Asia, Soviet trade with, 118-19.
- Asiatic Russia, trade with Japan 11, 26-7, 49; exports via Vladivostok, 28; first oil refinery in, 2, 26, 120; *see also* F.E.R.
- Baikal, Lake, 1.
- Batum, 114, 120.
- Beigorodsk, iron mines, 6.
- Birobidjan, 21-4.
- Blagovestchensk, Soviet oil in, 56, 64.
- Boxer Indemnity, renounced by Soviets, 68.
- Burea coal-fields, 5.
- Burma Oil Co., 92.
- Canton, Communist riots in, 54.
- de Castrics, 13.
- Central Asia, cotton in, 121-2; Soviet trade with, 123.
- Centrosyuz* (F.E.R.), 28, 54; (London), 89.
- C.E.R., 65-87; Soviet Government and, 66-7; China assumes control of, 68-9; agreement for provisional management of (1924), 70; Japan and the, 74-80; sale of, 76-80; text of Sale Agreement of, A. VIII (1); pre-War Russian tariffs and, 81.
- Chabarovsk, *see* Habarovsk.
- Chang Hsueh-liang and C.E.R., 73.
- Chang Tso-lin, Soviet Agreement with (1924), 54, 71.
- Cheremchova, coal mines, 5.
- China, Soviet economic relations with, 52, 64; pre-War Russian trade with, 52-3.
- Chinese in F.E.R., 1.
- Chinese Turkistan, 94-5.
- Chingan, Little, mts., iron mines in, 6.
- Coal, in F.E.R., 5; production of, 12, 14; Japanese concessions for, in N. Sakhalin, 44; exports of, from Asiatic Russia, 44.
- Colonization of F.E.R., 2, 12, 18-21, 125.
- Communications in F.E.R., 2, 13, 16, 18.
- Communism, in Pacific countries, 31-2.
- Concessions in F.E.R., 36, 45; for oil in N. Sakhalin, 41-2; coal ditto, 45.
- Conference, Investigation of the Productive Forces of the Far Eastern Province, for the, 11; All-Union for the Localization of Productive Forces in the Five-Year Plan, 15.
- Congress, 1st Far Eastern, of Soviets, 12; XVIIth, of Communist Party, 16; Pacific Ocean, of *Profsoyuz* (Vladivostok), 31.
- Convention, Russo-Japanese Fisheries (1907), 34, 37; Soviet-Japanese ditto (1928), 34, 37.
- Cotton, production of, in U.S.S.R., 103-4; Egyptian, in the U.S.S.R., 122.
- Cracking Plant (Habarovsk), 2, 26, 120.
- Crimea, salt for F.E.R., 27.
- Dairen, 29, 83-5.
- Dalbank*, 28, 54.
- Dalgastorg*, 24-5, 28, 54.
- Dalles*, 8, 28, 45.
- Doue, coal-mining concession at, 44.
- Dutch East Indies, 32; Soviet trade with, 95-7.
- Egersheld-Vladivostok port, 70.
- Eguchi, Sadaye, and C.E.R., 76.
- Egypt, Soviet trade with, 98-104, 118.
- Etoroyu, 33.
- Expedition, Soviet Geological (1934), to Burea river, 5; Imperial Academy, to Amur basin (1909-11), 11.

- Far Eastern Region, Soviet, 1-32; area, 1; population, 1; sovietization of, 1; Five-Year Plans and, 1, 11-16; imports to, 1-2; Foreign Trade Monopoly and, 2, A. I; industries in, 2, 12-14, 124; mineral resources of, 4-8; coal, 5; iron, 5; gold, 6; zinc, 7; agricultural resources of, 7-8, 10; fisheries of, 7-9, 33-41; forests of, 8; production of timber in, 8; grain crops of, 10; colonization of, 12, 18-21; balance of trade of, 1, 13; transport in, 13, 16; production of coal in, 14; ditto oil, 14; sown area of, 10; trading organs of, 24-5, 28.
- Far Eastern Timber Industry Syndicate, 45.
- Fisheries, Russian Far Eastern, 7-9, 33-41; Japanese exploitation of, 8-9, 37; Five-Year Plans and, 9; *see also* Conventions, Agreements.
- Five-Year Plans, F.E.R. and, 1, 11-17; effect on Indian trade, 88, 94.
- Foreign Trade Monopoly and F.E.R., 2, A. I.
- Forest area of F.E.R., 8.
- Georgia, tea plantations in, 90.
- Germany, *see* Hamburg.
- Gold-mining in F.E.R., 6-7.
- Gasibtrust, 20.
- Grain, production in the U.S.S.R., 122-3.
- Habárovsk, Agreement, 55, 73-4; Text, *see* A. VIII (7); cracking plant at, 2, 26, 120; industries of, 2, 17; fishing tackle 'combinat' at, 14; river port at, 16.
- Hamburg, re-exports of Soviet goods from, 88.
- Hanka Lake, rice plantations, 10; colonization and, 18.
- Hedjaz, the, Soviet trade with, 113-14; *see* Arabia.
- Heller, Otto, and Birobidjan, 24.
- Ho Ping Yin, on Sino-Soviet trade, 61.
- Hokcida, 119.
- Ibn Saud, 114.
- India, Soviet economic relations with, 88-97.
- Indian Tariff Board and Soviet imports, 92.
- Inter-Allied Railway Committee (Harbin), 89.
- 'Iraq, Soviet trade with, 105, 115-16.
- 'Iraqi oil fields, 115.
- Iron deposits of F.E.R., 5-6; industry, 16-17.
- Jaffa, 110.
- Japan, Soviet economic relations with, 33-51; concessions in N. Sakhalin, 41; trade with F.E.R., 1-2, 26-7; *see also* Fisheries.
- Japan-Soviet Oil Co., 43.
- Japanese, Export Credit Insurance Act (1930), 49; settlers, in F.E.R., 1; in Sakhalin, 2.
- Jewish immigrants to Birobidjan, 22, 23.
- Kalinin and F.E.R., 12; on Birobidjan, 23.
- Kamchatka, 1; mineral resources of, 4-5; fisheries of, 37; Japanese gold concession in, 36.
- Karachan Declaration, 68-9; text, *see* A. VIII (c).
- Kermanshah, Soviet trade with, 116.
- Kirin, 85.
- Kiz, Lake, 'timber combinat', 13.
- Kolchozi (F.E.R.), privileges of, 21; (Birobidjan), 21; *see* A. II.
- Korea, Bank of (F.E.R.), 28.
- Koreans, settlers in F.E.R., 1, 10, 19.
- Korfa Bay, coal mine, 5.
- Kurile Islands, 33, 41.
- Kushk, 95.
- Kusnez, 124.
- Levant, Soviet trade and, 105-11; Levant Fair (Tel-Aviv), 110.
- Litvinov and C.E.R., 75-6, 78.
- Manchukuo, Soviet trade agencies in, 64; appoints Consul to U.S.S.R., 64.
- Manchuria, trade with the U.S.S.R., 1, 24, 61-4; new railways in, 85-6; *see also* Manchukuo.
- Manchurian Board of Affairs (Tokio), 79.
- Maritime Province, *see* Primory.
- Marley, Lord, and Birobidjan, 22.
- Martel, Comte de, 106.
- Matsuka, Kojiro, and Japan-Soviet Oil Co., 43.
- Molotov and Five-Year Plan in F.E.R., 14, 16.
- Mosul pipe-line, 107.
- Mukden Agreement (1924), 71.
- Naphtha Syndicate, 26; in China, 54, 56; in India, 92; in the Yemen, 112; in Syria, 107.

- Nikolsk-Ussuri, sugar factory at, 13, 17.
 North Manchurian Railway, 77; *see* C.E.R.
 Novosibirsk, 124.
- Oil, in N. Sakhalin, 3-4, 26, 41-4; refinery at Habarovsk, 26; Soviet exports of, to Japan, 43; to China, 56-8; to India, 92-3; to Egypt, 100-1; to Syria, 107; to Palestine, 108-9; to the Yemen, 112-13; to Saudi-Arabia, 114; to Iraq, 115; to Asiatic countries, 120.
- Pacific countries, *see* Communism.
 Pacific Ports, Russian, exports of timber from, 26.
 Pacific tropics, Soviet trade with, 95-7.
 Palestine, Soviet trade with, 108-11; Birohidjan and, 22.
 Peking, *see* Agreements.
 Persia, Soviet trade with, 91, 116, 118.
 Platinum, Russian exports of, to Japan, 47.
 Pogranichnaya, freight traffic via, 77, 85, 193.
 Portsmouth, *see* Treaties.
 Primory, 1, 2, 19, 36-7; electrification of, 12; exports of timber from 25; Japanese concessions in, 36, 44-5. *Primriaksoyuz*, 20.
 Putjatkin, Admiral, 33.
- Rorio Rengio Rumian, timber concession, 45.
 Rouble-yen parity (F.E.R.), 40.
 Rumania, oil and timber exports to Palestine, 109.
 Rubber, imports of, to the U.S.S.R., 96; production in the U.S.S.R., 96.
 Rudy, M. (C.E.R.), 78.
 Russo-Asiatic Bank, 65, 68, 70.
 Russo-Chinese Bank, 65, 76.
 Russo-Japanese War, 33.
 Russian Oil Products (London), 92. *Russtorg*, 99.
- Sakhalin, 2-4; oil wells of, 1, 4; oil production of, 4, 13, 14, 26, 43; population of, 2; coal reserves of, 4; colonization of, 2, 12, 19, 20; timber exports from, 25; Northern Sakhalin ceded to Russia, 33; Japanese occupation of, 35; concession in, 25, 35, 41.
 Salt, supplies for F.E.R., 27.
 Sana, 113; *see* Treaties.
- Saudi-Arabia, Soviet trade with, 113-15.
 Seishin, new port, 86.
 Shimoda, *see* Treaties.
 Siam, 95.
 Siberia, 24, 124.
 Socony, in China, 56-7; in India, 92; in Egypt, 101; in Syria, 107; in Palestine, 109; in the Yemen, 112-13.
 Sokolnikoff, on Commercial Treaty with Japan, 36.
Soctorgflot, 25, 28, 54.
 Soyuzneft, 114.
 Spassk, cement factory, 14.
 Standard Oil Co. and Sakhalin, 2; in the Yemen, 112-13; Syria, 107; *see* Socony.
 State Fishing Organizations, Soviet (F.E.R.), 37, 38, 39.
 Straits Settlements, Soviet trade with, 95, 97.
 Strumlin, 15.
 Suchan, coal mines, 5.
 Suez Canal, Soviet and zinc cargoes via, 7; Soviet oil and, 43, 120.
 Sungari, river, 9, 10, 54, 70, 71, 73.
- Takeuchi, Ayayoshi, on C.E.R. sale, 79.
 Tariffs, Chinese and Soviet trade, 59; Japanese ditto, 46; Egyptian ditto, 99-100; Syrian ditto, 105, 107; Indian ditto, 88.
Tau-saygiz, 96.
 Tel-Aviv, 110.
 Texas Oil Co., 56.
Textilimport (Egypt), 99.
 Timber (F.E.R.), production of, 8; exports of, to Japan, 25, 45-6; to China, 58.
 Torgashev, 4-5.
 Transbaikalia, 63.
 Treaties, Aigun (1858), 70; Portsmouth (1907), 34-5, for text of annexed Fishing Convention *see* A. III; Shimoda (1855), 33; Soviet-Japanese (1925), 36, 41; Sana (1928), 111-12, *see* A. XII for text.
 Turkistan, rubber in, 96; cotton in, 121-2.
- Ukraine, settlers in F.E.R., 18.
 Ussuri railway, 5, 13, 16.
- Viliusk, salt mines, 27.
 Vladivostok, 28-36, 64; industries of, 2; bean exports via, 13, 29-32; port of, 16, 28, 32.

- | | |
|--|---|
| Voroshilov, on Far Eastern transport,
16. | Yakutsk-Amur railway project, 27;
Yemen, Soviet trade with, 111-13;
see Treaties. |
| Wang, C. C., on C.E.R., 72. | Zeya river, coal-field, 5; gold deposits
of, 6. |
| Western India Oil Distributing Co.,
92. | Zinc, in F.E.R., 7. |

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