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Mukden Agreements. Even if the Soviet ownership is allowed to stand, such ownership was only partial since the Peking and Mukden Agreements of 1924 placed the line under the joint management of the Soviet and Chinese (now Manchoukuo) authorities concerned on an equal footing and on condition that the business proceeds of the line be divided equally between the two parties concerned, the Soviet Government promising to return it to China free of charge after thirty years. He also refuted several pertinent points in the Soviet statement previously presented. After heated discussions which saw no indication of a solution, Mr. Ohashi finally proposed to continue an exchange of views in an unofficial capacity.

The fifth official session was held on July 14. The Soviet delegate presented a lengthy and detailed statement in which the Soviet contentions, especially that of ownership, were reiterated and maintained, and the Manchoukuo representative refuted the general thesis, reserving the detailed rebuttal to the next meeting. The negotiations thus made no progress and the both sides agreed to supplement the official sessions by unofficial conferences.

The unofficial *ad interim* conference was held on July 25 between Mr. Ohashi and M. Kozlovsky, followed by another on July 28 between Mr. Ohashi and M. Kuznetsov, but nothing was accomplished.

Then came the sixth official session on August 4. Lieutenant-General Tinge presented a detailed statement as promised, refuting at length the ambiguous contentions of the Soviet delegation. M. Yurenev reserved comment on the Tinge statement but announced, for the purpose of pushing the negotiations, Moscow's wil-

lingness to reduce the price to 200,000,000 gold roubles. From that session, however, the negotiations were transferred to unofficial *ad interim* conversations. Thus the negotiations faced the first difficulty in connection with the question of Soviet contention relating to the ownership of the North Manchuria Railway.

III

Since the opening of the negotiations in June, public opinion in Russia gradually stiffened with regard to the proposed sale of the North Manchuria Railway. This was largely due to the success of various Soviet peace moves in Europe which tremendously increased the Soviet prestige, the military preparations and propaganda of the Far Eastern Division of the Soviet Army under the leadership of General V. K. Blücher, and the belief that the sale price of the North Manchuria Railway will not materially help the second phase of the Soviet five-year plan, especially in view of Japan's weak economic position. Under such circumstances, the Soviet delegation was forced to proceed slowly and the *ad interim* conversations constituted a welcome medium to count the time.

The first *ad interim* session met on August 8. Mr. Ohashi and Mr. Mori represented Manchoukuo, while M. Kozlovsky and M. Kuznetsov represented the Soviet Union. The Soviet delegation urged the Manchoukuo delegation to raise its bid in response to the Soviet reduction and proposed the discussions of various points in the Soviet proposal. The Manchoukuo delegation, in reply, urged the Soviet delegation to reduce its offer further and indicated the uselessness of detailed discussions as the arguments are bound to flow on endlessly.

Both parties agreed to refer the matter to their respective home Governments.

The second *ad interim* session on August 12, saw no progress except the creation of a technical committee and an agreement to take up the rouble-yen exchange rate at the following session.

At the third *ad interim* session on August 17, the Manchoukuo delegation proposed the rate of 25 sen per gold rouble, but the Soviet delegation refused to divulge its offer under pretext of not yet receiving instructions from Moscow. M. Kozlovsky, in commenting upon the Manchoukuo proposition, insisted that it has no rational basis except in making the Manchoukuo offer of 50,000,000 yen the same as the Soviet offer. The discussions of technical matters by a committee created therefor were postponed until the Soviet offer was made on the exchange question.

The fourth *ad interim* session met on August 23. The Soviet delegation again failed to announce the Soviet offer for the proposed rouble-yen exchange rate but demanded, instead, the initiation of a simultaneous discussion of technical questions. The Manchoukuo representative pointed out the uselessness of technical discussions without reaching an agreement upon the exchange rate. Discussions of various subjects lasting for six hours gave no indication of progress whatsoever.

The deadlock was thus imminent as the month of August ended. On September 6, Mr. Ohashi and M. Kozlovsky in vain held a secret session at Kamakura for the purpose of speeding up the otherwise static negotiations. It was at this delicate juncture that Mr. Koki Hirota succeeded Count Uchida as Tokyo's Minister for Foreign Affairs. The negotiations continued

through Mr. Hirota's friendly interposition.

The fifth *ad interim* session was held on September 22. The Soviet delegation continued to withhold its proposal for the exchange question and again urged the Manchoukuo delegation to raise its offer. The Manchoukuo delegation insisted that the Soviet delegation should make its exchange proposal first and the discussions dragged on hopelessly. The presence of M. Baluy-sinikov, a technical expert just arrived from Moscow, naturally did not help the situation.

Two days later, on September 24, the Manchoukuo authorities caused the arrest of six Soviet employees of the North Manchuria Railway for flagrant misdemeanors, including responsibility for the illegal removal of North Manchuria Railway rolling stock into the Soviet territory and red propaganda. Moscow charged this event as a move to favorably affect the pending negotiations on the part of Japan and Manchoukuo and published through the Tass agency the alleged Japan-Manchoukuo plan to capture the North Manchuria Railway including the alleged communications between General Hishikari and the Tokyo Foreign Office. Thus, both the Soviet-Manchoukuo and Japanese-Soviet relations suddenly assumed a grave appearance.

IV

As a result of Hirota-Yurenev conversations, however, and following the release on February 14, 1934, of the arrested Soviet employees, the negotiations saw a new light of resumption. Among other things, Foreign Minister Hirota, in order to assure a smoother progress of discussions, persuaded Ambassador Yurenev to present the Soviet offer in term of yen. Thus, on February

26, the new Soviet proposals were communicated to Foreign Minister Hirota. Moscow now proposed that the transfer price shall be 200,000,000 yen; that the entire assets and liabilities of the Railway shall be transferred to Manchoukuo; and that Manchoukuo shall provide for the retirement allowances of the Soviet employees of the line. Upon further inquiry, the Soviet Ambassador announced that the Railway's responsibility for the retirement allowances of its employees total 16,780,000 yen, while the assets include 7,300,000 yen in cash and 23,000,000 gold roubles due from the Japanese Army, which total being enough to cover the liabilities. These proposals and figures were communicated to Hsinking which cast much doubt as to the figures relating to the retirement allowances but agreed to present its views thereon should the negotiations be resumed. Mr. Hirota relayed on April 21 Hsinking's desires to Ambassador Yurenev who, on April 24, acquiesced with the proposal for the resumption of the negotiations. With these preliminaries, the Soviet-Manchoukuo negotiations were resumed late in April, after an interval of almost six months.

At the sixth *ad interim* session on April 26, Mr. Ohashi for the Manchoukuo delegation proposed: that the transfer price shall be 100,000,000 yen, thereby doubling the original offer; that the Soviet Government shall provide for the retirement funds; that Manchoukuo shall pay 30,000,000 yen of the said price in cash and the remainder in goods to be delivered within an agreed period; that Manchoukuo shall not assume any responsibility for the Soviet liabilities except those contained in the Soviet statement of March 22, 1934. The Soviet delegation withheld its comment and promised to ask

for Moscow's instruction thereon before the next session.

On May 3, Ambassador Yurenev called upon Foreign Minister Hirota and disclosed Moscow's instructions which requested a more sincere and rational proposal on the part of the Manchoukuo Government. Mr. Hirota advised that the Ambassador should communicate such request directly to the Manchoukuo delegation and urged the continuation of the Soviet-Manchoukuo parley. To this Ambassador Yurenev agreed on May 7 and the *ad interim* session was resumed on May 9.

At the seventh *ad interim* session thus opened, M. Kozlovsky answered the Manchoukuo proposal by maintaining that Manchoukuo logically should be responsible for the retirement allowances and that the new proposed price is not a concession as it merely includes the retirement allowances. Mr. Ohashi, however, insisted that the retirement allowances should be taken care of by the old management and not by the purchaser; that, moreover, the inclusion of the retirement allowances in the transfer price in this manner would merely deter the negotiations; and that the new price proposed is more than the value of the existing railway as the new line with new equipment could be built for 130,000,000 yen easily.

The eighth *ad interim* session on May 14 failed to shed any new light on the dragging negotiations and the unofficial conferences also faced the stone wall of deadlock.

V

The negotiations were thus transferred back to the arena of Hirota-Yurenev conversations. On May 18, when Ambassador Yurenev called at the Foreign Office

in connection with another mission, Mr. Hirota took the occasion to urge the Soviet Ambassador to make a new offer based upon further concessions. A week later, on May 25, Ambassador Yurenev called upon the Tokyo Foreign Minister, conveyed the Soviet willingness, for the sake of speeding up the transfer negotiations, to make an additional reduction of 19,000,000 yen, and asked him to induce Hsinking to make corresponding modifications of its stand. Mr. Hirota reminded the Soviet Ambassador that as yet there is a deep gap between the two opposing proposals even if Hsinking is willing to make further concessions, and advised Moscow to make decided reduction of its offer in order to expedite a happy conclusion of the deal. Mr. Hirota continued to uphold this position whenever opportunity presented itself.

In the meanwhile, a new factor entered in the form of a successful rapprochement between Japan and China with regard to the solution of various pending questions relating to North China and the general softening of the Chinese attitude toward Japan. This was auspicious for the deadlocked Soviet-Manchoukuo negotiations. Thus, on June 26, Ambassador Yurenev called upon Mr. Hirota again and communicated the new Soviet offer of 170,000,000 yen as the transfer price of the railway, provided Hsinking will take care of the retirement allowances. Mr. Hirota then advised the reopening of the Soviet-Manchoukuo negotiations on that basis. This proposal the Soviet delegation was somewhat reluctant to accept and a pessimistic atmosphere prevailed among them, M. Kuznetsov finally leaving Tokyo for Harbin.

Under the circumstances, the Manchoukuo delegation decided to continue the negotiation with 135,000,000 yen for the railway and 30,000,000 yen for the retirement

allowances as the final maximum goal. This decision was later modified, making 150,000,000 yen as the maximum total offer. Consequently, Mr. Hirota presented to Ambassador Yurenev on July 23 the first Hirota proposal. The chief points in the Hirota proposal were that the price of the railway shall be 120,000,000 yen, of which 30,000,000 shall be paid in quarterly installments in cash within three years and the balance in goods within six years, and that Manchoukuo shall assume complete responsibility with regard to the retirement allowances. To this proposal was attached the Manchoukuo conditions: that the railway shall be transferred simultaneously with the signing of the agreement; that the Soviet employees of the North Manchuria Railway shall be dismissed within six months from the conclusion of the deal and that the dismissed former employees shall return to Russia within two months after the dismissal; that Manchoukuo shall assume responsibility with regard to the liabilities of the North Manchuria Railway as per the Soviet statement of March 22, 1934, and that the Soviet Union shall assume all others not mentioned therein and contracted thereafter; and that the two countries shall conclude a new agreement concerning telegraphic communications at an earliest date. Manchoukuo, of course, readily accepted the new proposal but the Soviet Ambassador merely promised to refer it to Moscow.

This time, however, Moscow quickly acted. Three days later, on July 30, Ambassador Yurenev presented a fresh Soviet proposal to Mr. Hirota: that the transfer price shall be reduced to 160,000,000 yen on condition that Manchoukuo assumes the responsibility for the retirement allowances; that two-thirds of the price shall be paid

in goods in quarterly installments within two years; that one-half of the cash payment shall be paid simultaneously with the signing of the agreement and the balance in quarterly installments within three years; that the dismissal of the Soviet employees shall be carried out in accordance with the existing regulations of the North Manchuria Railway, and that the Manchoukuo proposal in this matter as attached to the Hirota plan shall be accepted; and that a new Soviet-Manchoukuo transportation agreement shall be concluded at the same time with the railway transfer agreement. Mr. Hirota pointed out the gap of 40,000,000 yen which is still existing between the two prices, under which no negotiations would reach a successful conclusion, and again earnestly urged the Soviet Ambassador to reconsider the offer.

On August 10, Ambassador Yurenev again called upon Mr. Hirota and expressed the impossibility of Moscow reducing its offer any further. Mr. Hirota in vain persuaded the Soviet reconsideration and the Hirota-Yurenev conversation at last reached an impasse. Three days later, Mr. Ohashi called upon Ambassador Yurenev and made clear that the Hirota proposal is the maximum limit to which Hsinking can go due to its pressing financial situation and announced that the Manchoukuo delegation, disappointed with the progress of the negotiations, is leaving for Hsinking on the following day. Ambassador Yurenev was firm. Accordingly, Mr. Ohashi and others left Tokyo on August 14. Thus the negotiation came to a virtual standstill.

VI.

The complete breakdown of the negotiations was prevented, however, through Mr. Hirota's earnest effort and

the unofficial Hirota-Yurenev-Tinge conversations continued. The Hirota-Yurenev conversations which were started late in August gradually narrowed down the gap between the two offers, Mr. Hirota raising the Manchoukuo offer to 130,000,000 yen on September 6 and Ambassador Yurenev reducing the Soviet offer to 145,000,000 yen on September 12. The negotiations assumed a further brighter aspect on September 21 when Ambassador Yurenev informed Foreign Minister Hirota Moscow's willingness to close the deal at 140,000,000 yen as the price of the railway exclusive of the 30,000,000 yen retirement fund. Mr. Hirota immediately saw General Tinge and, on the following day, informed Ambassador Yurenev the tentative acceptance of the price but suggested the modification of other conditions: that Manchoukuo shall purchase the Soviet right in the North Manchuria Railway with the signing of the agreement and that the Soviet Union shall complete the transfer of the railway within one month thereafter; that the Soviet statement of March 22 on the claims and liabilities of the North Manchuria Railway shall be revised; that 40,000,000 yen of the transfer price shall be paid in cash, 15,000,000 yen being paid simultaneously with the signing of the agreement, and the remainder in quarterly installments within three years; that the payment in kind shall be made in quarterly installments within four years; and that three months' notice shall be given for the dismissal of the Soviet employees and one month's allowance for their return to Russia.

After another Hirota-Yurenev conference on September 26, Ambassador Yurenev made a counter proposal on October 1, of which the main points were as follows: that there is no necessity of revising the statement con-

cerning the claims and liabilities of the North Manchuria Railway already presented; that the line shall be transferred after the payment of one-half of the price in cash and the definite disposition of the remainder in some agreeable manner; that the Japanese Government shall guarantee the payment; that Manchoukuo shall pay 4% interest upon the balance after making a cash payment; that a gold clause shall be incorporated to guard against fluctuations in the rouble-yen exchange rate; that three months each shall be allowed to the employees of the railway in the matter of both dismissal and return to Russia; and that a new through traffic agreement between the North Manchuria Railway and the Soviet railways shall be concluded immediately after the signing of the transfer agreement. And thus a general agreement had been reached upon the fundamental issues of the protracted negotiations. Previous to this, Lieutenant-General Tinge approved in principle the results of the Hirota-Yurenev conferences on September 21 and 22, and Mr. Ohashi hurriedly returned to Tokyo in response to Mr. Hirota's cabled request.

The question of the transfer price having been thus settled, what followed chiefly concerned the method of payment and the Japanese guarantee. On October 5, therefore, Mr. Hirota presented to Ambassador Yurenev his proposals upon the pending questions after discussing the same with the Manchoukuo delegation. The main points of the Hirota suggestions were: that the statement of claims and liabilities shall be revised as previously proposed; that one-third of the transfer price shall be paid in cash, one-half simultaneously with the signing of the agreement and the balance in quarterly installments in three years, and two-thirds in goods, for

which order shall be filled within six months and delivered in three years; that no interest shall be paid on the balance of the payment; that the Manchoukuo debentures shall be guaranteed by Japanese banks concerned and not by the Japanese Government; that the standard of exchange shall be that between the yen and the Swiss franc, adjustable with the fluctuation of 10% or more; that the dismissed Soviet employees shall return to Russia within two months; that Manchoukuo shall allow the Soviet Union to use its consulate at Harbin without fee; that a new transit agreement shall be concluded immediately after the signing of the transfer agreement; and that the agreement shall be drawn up in three languages, the Japanese text prevailing in case of doubt.

M. Kuznetsov returned to Tokyo soon afterward and rejoined the Soviet delegation. On October 15, Ambassador Yurenev presented the Moscow amendments to the Hirota suggestions, in which the Soviet Union demanded the Japanese Government's guarantee for the payment, 3% interest, delivery of goods within two years, change of exchange rate with 5% fluctuations, no need of new statement concerning the railway's claims and liabilities, conclusion of a new transit agreement as proposed, reservation of several buildings in Harbin for the Soviet use, and three months' notice for dismissal of the Soviet employees and two months' allowance for return. Ambassador Yurenev also made three new propositions: that all disputes concerning the price of goods to be delivered shall be arbitrated by a body headed by the presidents of American and British Chambers of Commerce, that the price prevailing in Japan shall be adopted, and that the payment shall be made in cash in case disputes on the price reaches a complete deadlock.

At the fifth Hirota-Yurenev conference on October 22, Mr. Hirota rejected most of the Soviet proposals, but the sixth Hirota-Yurenev conference on October 30 and 31 saw a further indication of an approaching solution. Ambassador Yurenev acquiesced with the proposals for the revision of the statement on claims and liabilities, the free reservation of Soviet Consulate, and the payment of no interest for goods. The Ambassador and the Foreign Minister were still at variance however on three important points, being respectively for 8% and 10% gold clause, 2½ and 3½ years for the delivery of goods, and the Japanese Government's guarantee and an open statement in place of guarantee. Ambassador Yurenev added one more new proposal, namely, the shipment abroad of cash paid.

At the seventh Hirota-Yurenev conference on November 6, Ambassador Yurenev presented two new demands, namely, that all commercial liabilities of the North Manchuria Railway contracted since 1924 and upheld by the Manchoukuo courts shall be borne by Manchoukuo and that the Soviet Union shall reserve, after the railway transfer, the use of its consulate and dormitory, first and fourth primary schools, hospital, and library, all in Harbin. He proposed that Moscow shall assume responsibility with regard to the liabilities not mentioned in the statement of March 22 and the addenda under preparation. He, however, insisted upon the arbitration and Japanese Government's guarantee clauses, the delivery of goods in three years, three months' notice for dismissal and two months' allowances for returning home, and the immediate payment of retirement allowances. Mr. Hirota reserved his answer to the new Soviet proposals until the following session, agreed to the shipment of cash



The insignia of the former North Manchuria Railway (left) and of the Manchoukuo State Railways (right)



The former North Manchuria Railway Office, at present the Harbin Railway Directorate

abroad through the Yokohama Specie Bank, proposed an arbitration of price disputes by the Tokyo Foreign Office and the Department of Commerce and Industry, and insisted upon the deferred payment of retirement allowances and the public statement in place of the Government guarantee for the payment.

The eighth Hirota-Yurenev conference on November 13 naturally concerned with Mr. Hirota's reply to the Yurenev proposals of the previous session. Tokyo Foreign Minister made the following suggestions, reiterating some of the former offers: that the additional statement on the liabilities of the North Manchuria Railway shall cover everything for which Manchoukuo shall be responsible in addition to the statement of March 22; that Moscow shall continue the use of the consulate, its dormitory and the library but not the hospital and schools; that the goods shall be delivered within three years in six equal installments; that 3% interest shall be paid for the balance of the cash payment; that a separate agreement shall be concluded for the delivery of goods; that the retirement allowances shall be paid without reservations under the existing North Manchuria Railway regulations; that all commercial liabilities contracted before the 1924 Agreement and upheld through court action shall be divided equally between Moscow and Hsinking. He acquiesced with an 8% gold clause and the shipment of cash abroad through the Yokohama Specie Bank, but insisted upon a public statement in place of the Government guarantee. A general discussion of the foregoing points was made on November 14, in the course of which the question of drawing up an additional statement on the liabilities as proposed by Mr. Hirota was accepted in principle.

The ninth Hirota-Yurenev conference on November 26 saw a decided progress toward the final solution of various questions. The Soviet Ambassador proposed to accept several points with minor modifications, namely, the preparation of an additional statement on liabilities, the 8% gold clause, the shipment abroad of the cash payment through the Yokohama Specie Bank, and the delivery of goods in six installments within six years. However, the Soviet Ambassador continued to insist upon the immediate payment of retirement allowances, in connection with which Mr. Hirota presented a detailed proposal, the Japanese Government guarantee for the payment, and the court action, and proposed the use of English or French as the official language of the agreement.

On December 1, at the tenth Hirota-Yurenev conference, Mr. Hirota expressed his complete agreement with the several points as accepted by Moscow except the question of the Japanese Government's guarantee. He, however, continued to insist upon the question of court action as per his proposal on November 13, and accepted the arbitration clause, offering the good offices of the Japanese Government in determining the rational price.

To clear these unsettled questions, therefore, Mr. Hirota proposed, at the eleventh Hirota-Yurenev conference on December 10: that the Japanese Government can not guarantee the payment but that, in view of the friendly relations existing between Japan and Manchoukuo, it is ready to draw up a statement, underwriting the Manchoukuo responsibility; that an arbitration committee consisting of a Japanese, a Manchoukuo, and two Soviet representatives shall decide any dispute concern-

ing the prices tendered in part payment, and that, in the event of a deadlock, the whole question shall be referred to the Soviet-Japanese and Soviet-Manchoukuo diplomatic negotiations in matters relating respectively to Japanese and Manchoukuo goods; and that the retirement allowances shall be paid within three years. Mr. Yurenev insisted upon an immediate cash payment in connection with the last question and promised to ask for instructions from Moscow on the two other questions.

On December 21, at the twelfth conference, Mr. Yurenev presented the Moscow replies to Mr. Hirota's proposals. He insisted that the Japanese Government must guarantee the payment by banks but that such a guarantee does not imply the Japanese payment in place of the Manchoukuo payment. On the other hand, he announced that Moscow is ready to accede to the Hirota proposal with regard to the arbitration of prices but that the last resort to be made shall be, not the Japanese-Soviet-Manchoukuo diplomatic negotiations, but the arbitration of a third power. Mr. Hirota strongly opposed the plan for an arbitration by a third power. Mr. Yurenev also amended his previous proposals in two respects: that, instead of a cash payment in case of price dispute, the three-year period of payment shall be extended and the purchase of Japanese goods allowed, and that the Soviet Union shall retain only one, not two, school in Harbin.

The main points which dragged the negotiations unnecessarily over an unexpectedly long period were thus settled and the conferees agreed to leave the questions of minute details to the conferences between M. Kozlovsky and Mr. Shigenori Togo, the Director of the European and Asiatic Bureau of the Tokyo Foreign

Office, reserving to themselves only the fundamental questions.

VII

The most difficult elements of the epochal negotiations having been thus disposed of, the settlement of details merely required time. Under the new agreement upon procedure, the Togo-Kozlovsky conference was started on December 24. The first session which required five hours was chiefly devoted to the question of the Japanese guarantee for the payment but could not reach any agreement. The second session two days later dealt with the same question in vain. On the following day, December 27, however, a definite progress was made. At this third session the Hirota proposal of December 10 was made the basis of discussion and an agreement was reached on most points. M. Kozlovsky, on the other hand, insisted upon the inclusion of arbitration by a third party and the payment of retirement allowances partly in cash and the balance within one year. Mr. Togo rejected the first thesis and continued to maintain the two-year limit in connection with the second. A progress was made also in the matter of the railway transfer, the Manchoukuo spokesman agreeing to the possession of the railway immediately after the signing of the agreement.

Then followed the fourth session on December 30. M. Kozlovsky in principle accepted the Hirota plan of December 10, thus withdrawing the Soviet insistence upon the Japanese guarantee for the payment and accepting the proposal that the Japanese Government deliver a formal note on the question. He also withdrew the proposal for arbitration by a third power. The

fifth session on January 11 saw a general agreement with respect to the Japanese Government issuing a formal statement on the question of payment, the referring of price disputes successively to a Soviet-Japanese-Manchoukuo Committee and diplomatic negotiations, and the payment of retirement allowances within two years. The sixth and seventh sessions on January 17 and 19 made little progress and the eighth session was held on January 21. It was at this last session, which required no less than six hours, that a complete accord was reached on all pending details.

There remained the arduous task of drawing up the texts of several agreements. But now everything moved smoothly and quickly, and the provisional signing of the agreement by the representatives of the three Powers concerned took place on March 11.

Previous to this event, the North Manchuria Railway Investigation Committee, headed by Mr. Li Shao-keng, Chairman of the Railway Board of Directors, was created to examine the reports submitted by the Director of the Administrative Bureau with regard to the claims and liabilities of the North Manchuria Railway. According to the reports thus submitted, the claims and liabilities, in addition to the statement of March 22, 1934, were respectively 10,376,828.60 and 14,525,010.77 gold roubles. The reports were eventually approved and, through the good offices of Mr. Morindo Morishima, Japanese Consul General at Harbin, the final agreement was reached and signed on March 17 by Mr. Li Shao-keng and M. P. A. Bandura, Vice-Chairman of the Railway Board of Directors. A supplementary document was signed on March 21.

The Nanking Government was restless in view of the

successful conclusion of the negotiations. On March 11, Mr. W. W. Yen, Nanking's Minister to Moscow, lodged a protest with the Soviet Union. At the same time, the Foreign Office at Nanking made a formal announcement that the forthcoming transfer of the North Manchuria Railway to Manchoukuo by the Soviet Union alone is illegal in as much as it constitutes a violation of the Soviet-China Agreement of 1924. Almost a week later, on March 17, Nanking sent a statement to all Powers, officially declaring that the forthcoming transfer is illegal and clarifying its intention to reserve every right in the North Manchuria Railway even after its transfer to Manchoukuo.

In the meanwhile, Hsinking was taking necessary steps quickly to consummate the transfer deal. The State Council approved the North Manchuria Railway transfer agreement and its supplementary documents on March 17 and the Privy Council gave the approval of the State two days later. At Tokyo, the Privy Council approved the documents on March 20.

Thus the stage was all set for the official signing of the historic agreement on March 23. It was a gala affair, Foreign Minister Hirota, Soviet Ambassador Yurenev, and Manchoukuo Minister Tinge affixing their signatures to the agreements in the names of their respective countries and thus consummating the negotiations which required one year and ten months. At the same time, a check for 23,500,000 yen, being the first cash installment, was presented to the Soviet representative by the Manchoukuo representative. On the same date, the official transfer of the North Manchuria Railway to Manchoukuo at Harbin was made also a gala affair, M. J. V. Rudy, General Manager of the North Manchuria

Railway, and Mr. Ting Chien-hsiu, Hsinking's Minister of Communications, taking the leading roles there.

VIII

The documents which thus consummated the historic transfer of the North Manchuria Railway from the Soviet Union to Manchoukuo consisted of (1) the Basic Agreement between Manchoukuo and the Soviet Union on the transfer, (2) the Soviet-Manchoukuo Protocol, (3) the Soviet-Manchoukuo-Japan Protocol, (4) the Notes exchanged between Foreign Minister Hirota and Ambassador Yurenev, and (5) the Notes exchanged between Foreign Minister Hirota and Minister Tinge.

The principal terms of the agreement are as follows: (1) that the transfer price shall be 140,000,000 yen in Japanese paper currency for the railway and its appurtenances and 30,000,000 yen for retirement allowances; (2) that one-third of the transfer price shall be paid in cash and the balance in kind; (3) that one-half of the cash payment shall be made simultaneously with the signing of the Agreement and the balance within three years in four equal installments with 3 per cent interest per annum; (4) that the exchange value of yen shall be amended if the yen fluctuates eight per cent or more, either way, against the Swiss gold franc; (5) that the payment in kind shall be completed within three years in six equal installments, that any dispute concerning the prices shall be settled by an arbitration committee consisting of a Japanese, a Manchoukuo, and two Soviet representatives, and that a deadlock in dispute shall be transferred to diplomatic negotiations between respective countries; (6) that three months' notice shall be given for the dismissal of the Soviet employees and two months