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Source: *Pacific Affairs*, Vol. 3, No. 2 (Feb., 1930), pp. 188-211

Published by: [Pacific Affairs, University of British Columbia](#)

Stable URL: <http://www.jstor.org/stable/2750147>

Accessed: 18/06/2011 10:31

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History of the Chinese Eastern Railway

A Chinese Version

By LIANG CHIA-PIN

This article, which appeared originally in a Chinese Journal, the KUO WEN MAGAZINE for July and August, 1929, has been translated specially for PACIFIC AFFAIRS. It is published here in accordance with this journal's policy of discovering what is being thought and expressed in the various countries of the Pacific concerning the problems agitating this area. It does not in any way reflect the editorial attitude of PACIFIC AFFAIRS.

I. DURING THE CZARIST REGIME

THE landmarks of Russian intrusion into Northern Manchuria may be stated as follows:

No sooner had the Czar Nicholas II been crowned in 1896 than he meditated the scheme for the aggrandisement of his Siberian Empire. The lease of Port Arthur started in the year 1898. The occupation of Manchuria took place in 1900. Russian progress encountered a hitch in the conclusion of the Portsmouth Treaty in 1905. The Manchurian structure of Russian ambition collapsed with the fall of the Romanoffs into oblivion in 1918.

At the conclusion of the disastrous Sino-Japanese War in 1894 Li Hung-chang had been named as envoy plenipotentiary to conduct peace negotiations. Before he made his way to Shimonoseki he had a secret conversation with Count Cassini, the Russian Minister to Peking, who had been promised military and communication rights if only Russia could induce Japan to withdraw from the Liaotung Peninsula. Russia succeeded by acting in conjunction with France and Germany to bring pressure to bear on Japan. As the price for service rendered the Czar demanded that the secret pour-parlers should be made into a formal treaty. By this time Li Hung-chang was cashiered because of his inability to obtain better terms from the Japanese so the Russian overture for a formal treaty did not meet with the desired result. Russia intimated to China its desire for the presence of Li Hung-chang in the enthronement ceremonies of Nicholas II. China acceded to the request. Count Witte, Minister of Finance, the arch-plotter in the machinations to induce Japan to withdraw from Liaotung Peninsula, the sponsor of the Trans-Siberian Railway who had planned its penetration into Manchuria to Vladivostok, was sent down the Suez Canal to meet Li Hung-chang and was entrusted with a secret mission

to open parleys. Count Witte boasted of Russian service rendered and discoursed on the advantages of a Sino-Russian Alliance. Li Hung-chang yielded to Russian influence, whereupon a secret treaty was concluded, the provisions of which have never been made public, but from the diary of Count Witte the following stipulations are gathered:

Russia was given the right to construct the Chinese Eastern Railway. It should be exploited as a private commercial enterprise. Russia desired the line to be a State Railway but China's opposition to such a status was so strong that Russia was obliged to give way.

The land traversed by the line was to be Russian property over which Russia had full sovereignty. China had no obligations in building or running the line.

Russia was to help China in repelling any further Japanese aggression. In a word each one was to help the other in defence.

When in 1891 the Czar came to Vladivostok to witness the ceremony of starting work on the Trans-Siberian Line he at the same time concluded a treaty with the then Chinese Minister accredited to Saint Petersburg whereby the Russo-Asiatic Bank was formed. The bank in turn negotiated with the Chinese authorities for the construction of the Chinese Eastern Railway. We here give the peculiar characters of these two special organizations.

The Russo-Asiatic Bank

Count Witte collected the funds available from four French banks to form the capital of the bank. Its purpose was to develop commerce and industry in the Far East. China's share in the bank was limited to 5,000,000 Taels which was to be handed back to China on the opening of the line to traffic. The nationality of the bank was to be Russian; China to have no voice in its administration.

The bank had the right to build Chinese railways. Besides the Chinese Eastern it afterwards acquired the right to construct the Peking-Hankow, the Cheng-Tai, the Harbin-Taheiho and the Kirin-Changchun lines.

Besides the construction and management of railways and telegraphs the bank was intrusted with the task of collecting taxes, the management of enterprises connected with the local or national treasuries, the coining of money approved by the

Chinese government, and the payment of interest and amortisation of China's foreign loans.

The President of the bank was to be appointed by Russia. This was the repetition of the tactics employed in Persia. The name of the bank was to be in Russian and Chinese. The flags of both nations were to fly over it. These were the means to cover aggressive schemes behind.

The Chinese Eastern Railway

The Chinese Eastern Railway was an organization of the Russo-Asiatic Bank. Only Russians and Chinese were entitled to purchase shares in the railway stock.

The railway company could dispose of the land either donated by the Chinese government or acquired by purchase from the people.

The railway might transport Russian land and naval forces.

The railway had the right to maintain a police force and the right to employ foreign and Chinese workers.

The railway might build subsidiary railways, lay telegraph lines, engage in mining exploitations, form commercial organizations or associate itself with educational, sanitary, navigation and automobile activities.

Goods and private effects in transit on the Chinese Eastern Railway were to be exempted from taxation. Goods imported into or exported from Manchuria were to be taxed at one-third of the then rate of taxation.

The Director-General was to be named by the Chinese government; his office was to look over affairs connected with the Chinese government. The management and exploitation of the line was to be entirely entrusted to a Russian nominee, the director.

The capital of the line was to be deposited in the Russo-Asiatic Bank. No one had the right to question its disposal. The Russian government was to guarantee the interest on the capital. The shares could be changed into Russian State Bonds.

The Russian government exercised a supervisory power over the railway. She need not pay for the transportation of Russian State effects, for the use of the telegraph or for the transmission of mail.

SO Russia, through the mere instrumentality of a manager of a bank and that of the director of a railway, gradually extended its influence over the whole of Northern Manchuria. Russia was virtually the master of Manchuria: she often went beyond the limits of treaty provisions, as in monopolizing the shares of the railway which should have been apportioned among both nationals; as in trading without submitting to taxation; as in the forcible occupation of mines, land and forests and the garrisoning of the Chinese Eastern Railway. At the back of the railway and the bank stood the Russian government, which bought all the railway shares. It was intended that the employment of Russian engineers should suffice for the annexation of Chinese territory.

By this time Germany had seized the Bay of Kiaochow, which was the pretext for the Russian Siberian Fleet to enter Port Arthur. In order, it was alleged, to defend Manchuria against attacks of potential enemies Russia demanded the lease of Port Arthur and the right to construct the present South Manchurian Railway. The auxiliary rights, such as the garrisoning of the line, the transport of army and naval forces, the exploitation of mines, the felling of timber, the collection of taxes and the building of light railways, then appertaining to the Chinese Eastern Railway, were also acquired for the South Manchurian Railway. Russia's dream of a winter ice-free port thus became a reality. At that time it was Russia's policy to create vice-royalties to rule over vast regions in the Caucasus, Central Asia and Siberia. In like manner a vice-royalty was organized for Manchuria, setting up Port Arthur as the capital. Thereafter Russia acquired the right to lay the Peking-Hankow and the Chingtingfu-Taiyuan lines. An agreement was entered into with Britain whereby the vast expanse north of the Great Wall was reserved for Russian activities. Russia even then made no attempt to hide the fact that she intended to use the Chinese Eastern Railway as an instrument of aggression into China. This was the time when the Powers were wrestling for the dismemberment of China.

The special office of the Chinese Eastern Railway was singularly exemplified in the year 1900. In response to the Manchu call to arms to oust the foreign "devils" the Manchu general stationed at Aigun first assaulted Blagoveschensk, a Russian city across the Amur River. In the name of protecting the Chinese Eastern Railway Russia poured troops

into Manchuria from many directions. The Chinese troops then in Manchuria were no match for the Russian forces: Tsitsihar, Kirin and Mukden successively fell into Russian hands. No less than 180,000 Russian soldiers took part in the campaign, its expenses later having to be borne by the Chinese as the Russian share of the Boxer Indemnity, which was the largest part of that sum. The conditions for the evacuation of Russian troops were: (1) Russia should be notified of the number of Chinese troops to be stationed in Manchuria; (2) China should strictly observe the provisions of the treaties and agreements; (3) China should not invite other foreign Powers to garrison, construct or manage the railways or to occupy the region evacuated by Russia; (4) China must recognise the British-Russian agreement regarding spheres of influence in China.

That year the Director-General of the Chinese Eastern Railway, Hsu Ching-chin, died a martyr to the Boxer cause. Since then Russia arrogated to itself the naming of the head of the railway. The office fell to M. Horvath, who took upon himself the rule of the line. Russia once attempted to hoodwink the world into believing that the construction of the Chinese Eastern Railway was based on economic reasons, but the passage through the regions north of the Amur basin could bring no profit to the line.

THE trunk line of the Chinese Eastern Railway extends over 1,528 versts (each verst is equivalent to 3,500 English feet); its branches over 922 versts. Work was started in the years 1897 and 1898 from three points: from the west at Irkutsk, from the east at Ussuri, and from the south at Port Arthur. By the year 1901 the whole line was completed. Within a period of five years 28,562,600 roubles were expended in constructing the line, the cost of survey being 4,000,000 roubles. More than 40,000,000 roubles were spent in Manchuria all told. This did not include expenditure after the year 1901. Each verst of railway therefore costs 110,000 roubles. In name the proprietor of the railway was the Russo-Asiatic Bank, which invested no more than 5,000,000 roubles, but in reality the bulk of the capital was subscribed by the Russian government.

In laying the line Russia had an ulterior object in view, as evidenced by the huge outlay involved and the expeditious

completion of the line. The interview between Count Witte and Marquis Li Hung-chang testified the point. The Russian statesman was reported to have said that during the Sino-Japanese War, Russia despatched troops to Kirin via Vladivostok, and that by the time the Russian army reached the scene the war had ended. For the rapid expedition of troops Russia must have a line traversing Manchuria. That the line was meant for strategic purpose admitted of no dispute.

The history of the Russo-Japanese War is well known to everyone. We need not recount it here. Suffice it to say that the moiety of the fruits of Russian endeavour in Manchuria has been taken away by Japan, who followed exactly in Russian footsteps.

To repair the losses sustained in the Russo-Japanese War, Russia again entered into agreements with China in the years 1907-8-9, whereby many mining, timber and land concessions were given to Russia. It was her intention to lay the Harbin-Aigun Railway. Russia effected a rapprochement with Japan, defining their respective spheres of influence—an understanding tantamount to a military alliance and an intended prelude to the dismemberment of China. All this was due to the ambition and aspiration for vain glory on the part of Nicholas the Second, who never forgot Manchuria until he met his cruel fate in the dungeons of dark Siberia.

II. SINCE THE EUROPEAN WAR

The Russian Revolution

Russian influence followed the trail of the line. Since its completion, Northern Manchuria has been flooded with a million Russians, a vast expanse of land has been occupied, the mines located within ten miles of either side of the railway have been exploited and the sum annually realized from the felling of timber has amounted to ten millions. No one could give an estimate of the loss incurred by the Chinese while Russia dumped her surplus wares in the market, took away from the region raw materials and gave employment to numerous Russians at the expense of the Chinese. Then the monopoly of navigation along the rivers, the flourishing condition of her banks, commerce and industry, the issue of the Russian rouble notes and the exclusive control of the Chinese Eastern Railway were all prejudicial to Chinese prestige and interests. To protect all her numerous interests

Russia garrisoned the said line with ninety thousand soldiers. Before the European War Russia regarded Manchuria as her own territory, Harbin as her second Saint Petersburg. No less derogatory to Chinese sovereignty were the setting up along the line of fortifications and the exclusive use of the Russian language in commercial and official transactions. A Chinese in such an atmosphere found himself in a foreign land. On the top of all this, to entrench herself more firmly, Russia on the 13th of July, 1916, concluded with Japan an offensive and defensive alliance pledging mutual help to each other in case of attack by a third power.

At the commencement of the European War a major portion of the Russian troops were sent to the European theatre of war, only ten thousand remaining along the line. The advent of the Russian revolution brought about a split in the Russian camp. The Manager of the Chinese Eastern Railway at this time was General Horvath, who arrogated to himself the title of President of Russia and hoped to use North Manchuria as a base of operations against the Reds. Needless to say chaos reigned along the line, the administration being corrupt to the core. The Chinese authorities, in view of this state of affairs, could not but take action: they accordingly disarmed all the Russian troops. Whatever influence Russia had built up through the presence of these troops she lost by the summary action of the Chinese authorities.

WHAT sovereign rights the Russian had robbed of China, China of course in due course took back. The zone along the railway was mapped out as a special district for administrative purposes.

Ever since the garrisoning of the line by Chinese troops, the Chinese should have taken steps to gain complete control of the line. Moreover, it was widely reported that the Germans were marching eastward to occupy Siberia, which contingency would afford another reason to regain control of the line. But the dilatory attitude of the National Government had left matters in abeyance. At length the representatives of the Allied and Associated Powers, after a reunion at Vladivostok, decided to institute a technical board having an American, Colonel Stevens, as its president, for the international control of the Chinese Eastern Railway.

In the year 1920 China made demand on the Russo-Asiatic Bank for a revision of the terms of the contract

governing the running of the Chinese Eastern Railway on the strength of the cogent reasons given out by the then Board of Communications. They were: (1) China was a shareholder of the Russo-Asiatic Bank in virtue of her deposit of five million taels with the Bank. (2) The Chinese Eastern Railway owed the Chinese government this capital and interest plus the many advances to the railway. (3) Because of the political chaos then extant in Russia, she was not in a position to guard and control the line. (4) China, in virtue of the duties of territorial sovereignty, is responsible for the maintenance of peace and order within the railway zone and the continuance of traffic along an international highway and the protection of the property of the line.

On the 2nd of October, the Ninth Year of the Republic, the Chinese government intimated to the Russo-Asiatic Bank its desire, in virtue of the many agreements concluded between China and Russia, to take over the duties formerly assumed by the Russian government. China's part of the bargain was to end when China should have recognized a duly constituted Russian government. The other side made no objections and an agreement, a continuation of the 1896 agreement, was concluded by the representatives of the Russo-Asiatic Bank and of the Board of Communications. Its provisions were as follows:

1. The Chinese Eastern Railway shall refund to the Chinese government, with compound interest at six per cent per annum till the year 1920, in the form of railway bonds, the five million taels that had been deposited with the Bank since the commencement of work of the line and which should have been returned to the Chinese government on the opening to traffic of the line. From the year 1921 onwards five percent interest per annum on the total amount should be paid half-yearly to the Chinese government. The railway bonds secured on the floating capital and immovable property of the railway may be amortised by the time China recovers the railway or accepted by Russia as payment.

2. The Board of Trustees to be composed of nine persons, four Russians and five Chinese, one of whom shall be the Director-General who has the right to a decisive vote in case of a tie vote between the Chinese and Russian Trustees.

3. The quorum to consist of at least seven persons. All decisions to have effect must have the unanimous approval of the seven persons.

4. Of the five Censors of the railway, China to nominate at least two of them and the chief censor must be Chinese.

5. An equal number of Chinese and Russians shall be employed who shall receive equal treatment.

6. The Railway Company shall entirely devote itself to the operation of the line as a commercial enterprise and no more hereafter to involve itself in politics.

7. Provisions in former agreements not in conflict with the present one shall continue to have full force and effect. There were two notifications made by the Bank relative to the employees of the railway.

When General Horvath was in control of the line he had set up the post of resident-director, but this post was now cancelled, along with all others created not in accordance with the usual regulations.

In connexion with these agreements the Russo-Asiatic Bank made the following observations: The Director of the Board of Trustees to remain a Russian; two more assistant directorships to be created and to be filled by a Chinese and a Russian; the Russian Manager of the Railway to be aided by a Chinese Assistant-Manager; the Russian heads of the Traffic, Engineering, Accountancy and Locomotive Departments to have Chinese as their Associates.

THE abdication of the Romanoffs in consequence of the 1917 revolutionary outburst had brought about a state of affairs that compelled the Russians to forsake their aggressive tactics in the Far East. There were several reasons: Too much occupied in the West, she had no surplus energy for the East; the right of self-determination had been granted to the subject various races, and many profited by this to declare independence; Lenin, in deference to the wishes of Marx, wanted first to bolshevize Poland and then Germany.

As China then was in the grip of Western Imperialism, more or less swayed by Japan, Russia tended to regard China also in the same light as herself. So she took hold of the opportunity to attempt a rapprochement with China by making the Declaration of 25th of July, 1917, stating her desire to return unconditionally to the Chinese the Chinese Eastern Railway, all the concessions appertaining to the said railway, and to relinquish ex-territorial rights and the Russian concessions in the various Chinese cities, together with the Boxer indemnities. The new Russian government further disclaimed the rights and privileges later acquired by the Russian representatives since the fall of the Czars.

But the 1919 Declaration of Karahan carried no reference to this proposed unconditional surrender of the Chinese

Eastern Railway. Russia had evidently changed her mind due to the change of situation in the European theatre. Her crusade in Poland was a failure. The several races that had severed themselves from Russia by virtue of the self-determination provision had one by one returned to the fold.

On the 30th of May, 1924, Karahan and Dr. Koo Wei-chun signed an agreement carrying fifteen provisions known as the Agreed Principles for the Solution of the Sino-Russian Outsanding Issues.

The second article stipulates that within six months of signature a conference shall be opened for the settlement of the many pending Sino-Russian issues.

The third article cancelled all public documents entered into between China and Russia since the time of the Romanoffs. A new treaty was to be elaborated, based on the spirit of equality and reciprocity and on the lately repeated declarations of the Russian Government.

The fourth article abrogated all public documents derogatory to Chinese sovereignty and interests, contracted by the late Russian governments with any third Power. The two principals promised each other never again to conclude agreements of a similar nature.

The ninth article alludes to the settlement of the Chinese Eastern Railway according to the following principles:

1. The Chinese Eastern Railway shall be operated as a purely commercial enterprise. Matters appertaining to Chinese territorial and jurisdictional sovereignty are to revert back to China.

2. Russia agrees to permit China to buy back the line with Chinese funds and to turn over the Railway Bonds.

3. In the forthcoming conference that is to take place according to the second article of the agreement the terms and procedure of the redemption of the line are to be settled.

4. The Russian Government shall account for the railway bonds and debts of the railway contracted before the Russian Revolution, that is, before the 3rd of September, 1917.

5. The future of the Chinese Eastern Railway shall be decided by the two High Contracting Parties only, tolerating no intervention of a third Power.

6. Until the arrangements to be elaborated as stipulated in the third article of the agreement shall have been completed the two High Contracting Parties shall come to a *modus operandi* concerning the Chinese Eastern Railway. Until a definite settlement of the questions concerning the railway all preceding agreements regarding the line not in conflict with the present agreement nor with the *modus operandi* to be arranged nor with Chinese sovereignty shall remain in force.

Provisional Modus Vivendi

There shall be a Board of Directors consisting of ten persons, five Chinese and five Russians. One of them, the head of the Chinese Delegation, shall be named by the Chinese Government as the Director-General and one of them, the head of the Russia Delegation, by the Russian Government as the Associate Director-General. The quorum shall consist of at least seven persons. Any decision to have executive effect must be approved by at least six persons. The office of the Board is to decide upon general questions affecting the Chinese Eastern Railway.

There shall be instituted a Board of Censors of five persons of whom two are to be Chinese and the rest Russians, the Head Censor to be nominated by the Chinese Government from among one of the Chinese Censors.

The Railway shall have a Russian Managing-Director and a Chinese Co-Managing-Director, both to be named by the Board of Directors and sanctioned by the respective Governments. Their functions shall be regulated by rules enacted by the Board of Directors. The Heads and Associates of the various departments of the Railway shall be nominated by the Board of Directors. In case the Department Head is of Russian nationality his Associate must be Chinese, and vice versa.

The positions available on the Railway shall be equally distributed among Chinese and Russians.

Should the Board of Directors fail to reach a decision concerning certain matters they should be referred to the Governments of the High Contracting Parties. But matters stipulated in the seventh article of the agreement do not come within the scope of this ruling.

The budget of the Railway shall be decided by the Board of Directors and Censors sitting in assembly. The Board of Directors shall act as custodian for the net profits of the Railway. Until a satisfactory solution of the Railway shall have been arrived at this fund shall not be touched.

Within six months' time at the latest after the institution of the Board of Directors it shall complete the revision of all the preceding agreements affecting the Chinese Eastern Railway. Until such revision shall have been completed the provisions of the aforesaid agreements not in conflict with the

Agreed Principles for the Solution of Pending Sino-Russian Issues or with Chinese sovereignty shall remain in force.

When a fundamental settlement of the Chinese Eastern Railway shall have been reached—a settlement to be decided upon at a conference stipulated in the second article of the Agreed Principles made public on the 31st of May, 1924,—the present *modus vivendi* shall be void and of no effect. The present *modus vivendi* takes effect from the date of signature.

BY THIS time the Government of the Three Eastern Provinces had arrogated to itself an autonomous status, so that the preceding *modus vivendi* could not be carried into effect. Knowing the intricate situation Karahan straightway went to Mukden to conclude another agreement known by the name of the Peking-Mukden Agreement of 1924. The stipulations affecting the Chinese Eastern Railway are similar in most respects to those of the preceding agreement, and need not be repeated here.

The Sino-Russian Condominium

It is open to question in what capacity and status Soviet Russia negotiated with China for the joint management of the Chinese Eastern Railway. Soviet Russia in the year 1919 declared to the Northern and Southern Governments and the people of China its intention to relinquish unconditionally the Chinese Eastern Railway and its appertaining enterprises. It is again open to question why Russia changed its mind and concluded in 1924 with the Chinese the Agreed Principles for the Regulation of Outstanding Sino-Russian Issues, stating that China can with Chinese funds redeem the line and its auxiliary enterprises and that the future of the line is to be decided by the two parties only, without the interference of a third party. It may not be uninteresting to recall that Li Hung-chang strenuously opposed the construction of the Chinese Eastern Railway in the name of the Russian Government. On this point Count Witte finally had to yield to Chinese wishes and vested the building of the line in a private concern, specially created for the purpose, the Russo-Asiatic Bank. This institution had been answerable to the Russian Finance Ministry. The railway has always been regarded as a private concern whose staff had no official status. To what Li Hung-chang obstinately refused to grant the Russians the now defunct Peking Government of 1924 gave its assent:

the Peking Government thus wilfully sacrificed Chinese rights and privileges. If Russia today has any legal claim to the Chinese Eastern Railway, using it as an instrument for furthering subversive activities and threatening to sell it to a third party in order to bring pressure to bear upon China when it suits her purpose, then the conclusion of the Sino-Russian Agreements of 1924 was entirely responsible.

It may be recalled that the joint owners of the line were the Russo-Asiatic Bank and the Chinese Government. The Russo-Asiatic Bank could not in Russia stand upon its feet in the face of wholesale confiscation of property by the new Russian powers-that-be. The said institution may be said to have lost its hold upon the railway, of which golden opportunity the Chinese authorities did not take advantage. Furthermore, by the time of the 1924 negotiations the authorities did not recollect that Russia had once declared its disinterestedness in the line. The race between China and Japan for the honour of priority in recognizing Russia brought about the conclusion of the 1924 Agreements, losing China half her rights, equally apportioning between Russia and China the proprietary right, which by that time in fact was in Chinese hands, and stipulating that China may take back the line only through compensation.

NO sooner had the Sino-Russian Agreements been concluded than the Japanese made haste to come to terms with Russia. It may be recalled that Japanese and Russian Delegates met at Changchun for the regulation of their interests in Manchuria. The Chinese, however, notified Japan and Russia that any arrangement derogatory to Chinese sovereignty and interests would not be recognized by China. The Japanese gave assurances that the decisions reached would not affect Chinese sovereignty and interests.

The Russo-Japanese Agreement was signed on the 20th of January, 1925. Article II deeply concerns China. Russia therein recognizes the continuance in effect of the Portsmouth Treaty. It engages to meet in conference to revise or abrogate according to changed circumstances the contracts entered into between Russia and Japan before the 7th of November, 1917. The Portsmouth Treaty, it may be mentioned, transferred Russian rights in South Manchuria to Japan after the Russo-Japanese War. Its recognition by Russia was a direct contravention of the spirit and letter of the 1924 Sino-Russian

Agreement by the fourth article of which Russia promised to conclude nothing derogatory to Chinese sovereignty and interests. China lodged a protest but to no purpose. Karahan, however, replied that the new Russo-Japanese Agreement had in no sense violated the Sino-Russian Agreement, that China herself had in 1905 recognized the Portsmouth Treaty and that China in 1915 had concluded an arrangement with Japan consolidating the rights acquired by Japan from the Czarist regime twenty years ago. In this connection it must be noted that the series of agreements firmly grounding Japanese interests and rights in Manchuria had been signed by China under duress.

Ever since the conclusion of the 1924 Agreement the Chinese Eastern Railway, nominally under Sino-Russian control, has been in fact under the exclusive management of the Russians, of which anyone would be convinced by a careful inquiry into the various organizations of the said line. What the Russo-Asiatic Bank built up by many years of painstaking exertions Soviet Russia acquired without any effort. Nobody can gainsay that by joint control was meant the equal apportioning of power among the two nationals. This cardinal principle has never been adhered to. A proposition unfavorable to the Russians is refused passage by the Russian Directors, who put up obstructive tactics by refusing to attend. Then the subordinates are so distributed that many of the Chinese officials are relegated to the positions of clerks and translators. In the year 1926 the Russian Managing-Director refused permission to transport Chinese troops and instigated sabotage and disorders in the Railway, whereupon the Chinese authorities detained the Russian Managing-Director for several days. Karahan then handed in an ultimatum peremptorily demanding the release of the Russian Managing-Director and the restoration to order of the Railway. China had to comply. The raid on the Russian Embassy in 1927 revealed many interesting documents. Those revealing the following operations were of particular concern to the Chinese Eastern Railway:

1. Russia engaged secret agents to inquire into the Railway and Manchuria. A detailed survey was made of the Taonam-Tsitsihar and Chinese Eastern Railways.

2. A direct correspondence was maintained between Moscow and the Chinese Eastern Railway by naming two secretaries to the Board of Directors of the Chinese Eastern Railway.

3. Investigations were proceeding into the Chinese and Japanese projected and completed railways.
4. A survey was made of the highways in Northern Manchuria and Outer Mongolia.
5. Communism propagandists were given positions in the Chinese Eastern Railway.

IT MUST be said that Russia has spent little or no hard cash in Manchuria. Everything was exchanged for rouble notes which now are not worth the paper printed upon. The immediate remedy for the Chinese Eastern Railway is the reorganization of its bureaus and redistribution of power between the two nationalities. Meanwhile negotiations should be commenced to redeem the line by paying for it with the worthless rouble notes.

In the Sino-Russian Conference special provision was made for the disposal of the income of the Railway which was to be deposited in equal proportions in Russian and Chinese banks. The Russians failed to comply with this stipulation and the revenue was put wholly into the Far Eastern Bank, or the Dalbank. This is the principal Russian credit institution for financing commercial enterprises in the Far East. It was registered in 1922 with an initial capital of 500,000 roubles, later adding 500,000 more roubles. Its business was alleged to be so successful that it later augmented its capital to the grand total of 5,000,000 roubles. Thinking that Harbin had no need of such an immense credit institution the Chinese authorities refused it registration. According to Chinese investigations as long ago as the 14th Year of the Republic the bank had given financial accommodation to the extent of 38,000,000 roubles and reaped 4,000,000 roubles net profit. By the 15th Year of the Republic it limited its activities; nevertheless it had let out the total amount of 20,000,000 roubles. The fact that it serves as the treasury of the Chinese Eastern Railway inspires confidence among both foreign and Chinese capitalists. In the 14th Year the total deposit reached the sum of 42,000,000 roubles, seven-tenths of which belong to the Railway in question, the other three-tenths being the fruits of industry of private individuals. The attainment by the bank to a position formerly only held by the Russo-Asiatic Bank and the great volume of business done surpassing any foreign bank in Harbin must be attributed to the fact that it acts as treasury for the Chinese Eastern Railway.

On the 5th of August, the 14th Year, having viewed with concern the closing of the Shanghai branch of the Dalbank and the liquidation of the Russo-Asiatic Bank, the Administrator of the Railway Zone Special District ordered the inspection of the accounts of the bank. The bank refused investigation on the pretense that it is an institution of the Soviet Government, without the permission of whose consular authorities the bank could not comply with the request of the Chinese authorities. The Russian Consul lodged a protest to the effect that if the Chinese heard anything untoward about the bank they should inform the Consul, who would take the necessary steps to assure the creditors of the institution. The Chinese insisted on the inspection and threatened to enforce the order if the Russians failed to comply. The bank gave way and opened its books to the inspectors. It was found that the Railway in question had made three deposits, one of 25,000,000 roubles, one of 16,000,000 Gold and one of 120,000 Mex. A report had been current that the Railway's deposit reached the sum of 34,000,000 dollars. Questioned as to the disposal of the remainder the Russians replied that that was the actual amount deposited by the Railway. No Chinese connected with the Railway had any accurate figures about the Railway's deposit, so China had to be contented with the figures revealed by the Russians of their own accord.

The Chinese then contended that half of the sum should be put into Chinese banks, pursuant to an express stipulation of the Sino-Russian Conference. The Chinese Director-General convened a meeting of the Board of Directors to put forward the demand that 8,000,000 dollars should be stored in Chinese credit institutions. The Russian Directors asked for instructions from the Home Government, which gave a reply to the effect that the Directors might act according to their own discretion. The Russian Director ordered the Managing-Director to make out a cheque for 5,000,000 dollars to be handed over to the Chinese authorities. The Dalbank honoured the cheque and the lump sum was deposited with the Bank of the Three Eastern Provinces. The reason why the Chinese did not insist on the full sum of 8,000,000 was that it opened the way for further negotiation. Whether any sum was allocated for communistic propaganda purpose the inspectors had no means of ascertaining. Later the Chinese Director concluded with the Russians a draft agreement for the disposal of the Railway revenues as follows:

1. Cash income of the Railway shall be deposited in equal proportions in Chinese and Russian banks.

2. Every five days an account should be rendered to the Board of Directors.

3. The Chinese bank with which the funds shall be deposited is for the Chinese Director to name, the Russian bank for the Russian Director to name. Accordingly, a sum of 16,000,000 roubles should be apportioned to the Chinese, said sum to be released to the Chinese not later than the 10th of September.

SINCE the Sino-Russian condominium over the Chinese Eastern Railway there have risen six questions still awaiting solution: (1) The equal distribution of positions to both nationals. (2) The equal control of railway revenue. (3) The equal apportioning of the power of control. (4) The use of the languages of both nations. (5) The unity of power. (6) The recovery of the telegraphs and educational institutions. No sooner had the above-mentioned second item been amicably arranged than the Chinese authorities brought forth seven articles for solution. They were:

1. China to have full and actual control of the Board of Directors and the Management of the railway.

2. Orders issued by the Russian Managing-Director shall be countersigned by his Chinese Associate.

3. The Chinese Co-Managing-Director and Bureau Heads be permitted to issue orders. In case railway employees failed to carry out these orders the Chinese police should intervene with a view to their enforcement.

4. All places of section chiefs to be given to Chinese.

5. The right of instruction shall revert back to China. The funds for the educational institutions to be doled out by the same bureau of the Special Administrative District.

6. The telegraphs, telephone and long-distance telephone to revert back to Chinese control.

7. China will proceed presently to take back the four consequential departments of the Railway, namely, the General Affairs, the Engineering, the Commercial and the Traffic.

In name the Railway is vested in Sino-Russian joint control, but in fact the Russians have arrogated to themselves full power over the line. The Chinese public generally called the line the "highnose railway" from the prominent nose of the Russians. The system of control now in vogue is generally nicknamed "the concubine system" as the Chinese heads have practically no voice in railway affairs just as concubines have no say in family matters. The Board of Directors has been compared to a person sickly with malaria, for the Russian

Directors seldom show up to constitute a quorum. On the 18th of August, the 16th Year of the Republic, the Chinese Directors introduced the aforesaid seven propositions for consideration. The Russian Directors absented themselves by putting up the excuse that they had to go to the summer resort to recuperate themselves. On the 22nd of August the Chinese again brought forth the following proposal:

That the Chinese Co-Managing-Director and Department Heads be allowed to issue orders without interference on the part of the Russian Managing-Director and Russian Department Heads. Orders issued by Russian Chiefs shall be countersigned by his Chinese Associates. There shall be not only equal distribution of power but also equal portioning of places between the two nationals. That the Russian Chiefs of the Commercial, Locomotive, Stores and Traffic Departments be replaced by Chinese Chiefs.

The Russian Directors took exception to these Chinese demands. They alleged that the powers of the Directors and Chiefs of Departments had been laid down in the Sino-Russian Agreements of 1924 and have been in force for many years, and therefore should not be changed in an off-hand manner. In regard to the change of Department Chiefs the Russians rebutted that these were important departments of a railway, that experienced and able men must be employed, that the present incumbents have been competent in every respect and that they saw for the present no reason for their removal or change. To the demand for equal distribution of places, the Russians agreed on condition that the Chinese employed should be men experienced in railway affairs. The Russians invoked the sanctity of the 1924 Sino-Russian Agreements, yet they were the first to violate the provisions of the said instrument by agreeing to the continuance in force of the Portsmouth Treaty. Again they violated the said agreements by repeatedly reorganizing the Head Office of the railway and adding more Russian department and section chiefs to the staff. To the contention that only competent and experienced men in railway affairs should be employed, China can raise no objection. But Russia had given to the Chinese no opportunity to adapt themselves to railway work or to educate themselves in its requirements. The railway schools have been managed and controlled to the exclusive benefit of the Russians.

The Russians at first raised objections to the use side by side of the two tongues in official documents on the grounds that the translation staffs fall far short of the task to be accom-

plished and that augmentation of the personnel would involve more expenditure for the railway. The Chinese combatted these objections one by one. Their view finally prevailed. It may be mentioned that Chinese State Railways employ the language of the creditor country. In recent years, as foreign debts were gradually cleared off, the Chinese tongue appeared side by side with the foreign tongue in official documents. The Chinese also succeeded in enforcing the Chinese system of laws in the Railway zone. The above mentioned are what the Chinese authorities had been able to accomplish before the end of the 16th Year of the Republic.

SINCE that time the Chinese Director-General has enforced many measures, such as the deposit of railway funds in Chinese banks, the enforcement of Chinese laws, the replacement of department chiefs with Chinese, the establishment of a railway college and the employment of Chinese to serve a probation period in the telegraphs, all without the approval of the Russian Delegation of Directors. As these were *faits accomplis* the Russian Directors protested to no purpose at the sitting of the Board of Directors. By this time the now defunct Peking Government organized a commission for the taking back of the Chinese Eastern Railway. On receipt of this news the Russians endeavored to reinstate the Russian Co-Director-Generalship on an equal footing with the Chinese Director-Generalship so that the Russians would be enabled to check the alleged arbitrary actions of the Chinese Director-General. It may be recalled that this Russian position had been abrogated by the 1924 instrument: the Head of the Russian Delegation of Directors being placed in its stead as highest Russian official in the railway. But his status can by no means be compared to that of his Chinese confrere.

To counteract the Chinese attempt at recovery, according to a White Russian report, the Russians borrowed a certain sum from the South Manchuria Railway, having the intention to pay the Japanese off against the Chinese in the event the latter showed the least intention to recover the line. Incidentally, a Japanese Delegation was sent via Siberia to Europe allegedly for the purpose of inquiring into the economic condition of Germany but most probably for the object of meeting the Head of the Russian delegation of Directors who, it was claimed, went back to Moscow to attend the celebration

of the tenth anniversary of the Russian Revolution. In order to detract world attention from the meeting the Japanese papers purposely circulated a wire alleged to have been sent by the Head of the Russian Directors to the Administration of the Chinese Eastern Railway, and said to have carried the following proposals:

1. To outdo Dairen, measures shall be taken to divert traffic from the South Manchuria Railway so that all goods go by Vladivostok.

2. The Railway Administration shall set up commercial agencies in Europe to enable it to issue through bills of lading. At the same time material assistance is to be given to would-be importers.

3. The Ussuri and Chinese Eastern Railways are to work more closely together. Through transportation is to be maintained by steamer service between Vladivostok and Shanghai.

4. The freight rate shall be reduced for imported goods to draw imported goods to the Chinese Eastern Railway.

Coinciding with this wire was the appearance in Chinese papers in Tientsin of the report to the effect that the Head Russian Director had been in Dairen engaged in secret pourparlers with the Japanese regarding the disposal of the Chinese Eastern Railway. The Russian Directors instantly wrote to the Chinese Director-General assuring him that these allegations were a pure canard. Anyway the movements of the Russians and Japanese delegations gave material for speculation as to their real motives.

ON December of the 17th Year, the Chinese took back the telephone system in Harbin operated by the Chinese Eastern Railway which for the sum of 450,000 roubles privately bought the right from the Japanese Northern Manchuria Electrical Company. The Japanese had no right to sell the telephone system, nor had Russians the right to buy, without official sanction. On the 28th the Russian government lodged a protest with the Chinese Charge d'Affaires reported to have carried the following points:

1. The right to install and operate telephones along the Chinese Eastern Railway is based on the 1896 and 1924 Sino-Russian Agreements. According to these agreements Russia has the right to operate kindred railway enterprises.

2. This right has been duly recognised in the recently concluded agreement regarding the long-distance telephone system.

3. The present agreements in force have expressly stipulated that in case of controversy over questions relative to the Chinese Eastern Railway the two governments shall resort to orderly negotiation.

4. The traditional friendship that happily subsisted between the two countries meant nothing to the Chinese authorities who attempted to scrap the existing agreements by violating the very provisions of the said agreements.

5. The Russian Government demand the restoration to Russia of the Harbin telephone system and satisfactory assurances that such highhanded action shall not be repeated.

6. Russia has always endeavoured to solve Sino-Russian problems in a spirit of equality and reciprocity.

At the same time the Russian official mouthpiece, the *Pravda*, ventilated Russian grievances by saying that the action was due to the Japanese inciting the Chinese to anti-Russian agitation.

Russia must have forgotten her declaration to the effect that she would turn over the Chinese Eastern Railway and its auxiliary enterprises to China without compensation. Her commitment not to conclude contracts with third parties derogatory to Chinese sovereignty and interests has been thrown to the dogs by signing agreements with Japan recognising the full force and effect of the Portsmouth Treaty. Russia's undertaking to give places equally to both nationals has never been fulfilled. It is sheer humbug to talk of equality. It is utter nonsense to speak of the spirit of reciprocity.

III. RECENT EFFORTS TOWARD RECOVERY

SINCE the reunification of China the authorities and the general public desire to hasten the recovery of the Railway. While Chinese law is enforced and the National flag unfurled along the line yet the Russians still monopolize the Railway to their exclusive benefit. Before his departure for Harbin the present head of the Three Eastern Provinces instructed the present Director-General Lu Hai-wan to expedite the settlement of the outstanding issues, such as the equal distribution of places between both nationals, and the renaming of the department chiefs and his associates (that is, if the chief is a Russian his associate must be a Chinese and vice versa). Up to the time of writing these provisions have been never carried out, responsible positions being allocated to Russians only. This is the very reason for the system to be nicknamed "the concubine system," for the Chinese are not on an equal footing with the Russians. Before the diplomatic rupture the negotiations carried on by the Director-General, Mr. Lu Hai-wan, related to the following topics:

The Reorganization Question

On the 2nd of March, the Director-General convoked the Directors and Censors to a joint assembly. One of the propositions to be introduced was an amendment to the Sino-Russian Agreements of 1924. The Russian Delegation refused to discuss the question on the ground of incompetency of the assembly. Indeed, if previous proposals had been given due consideration by the Russians, such as the reduction of the power of the Russian Director, the equal distribution of places among nationals of both countries and the employ side by side of the tongues of both nations, the bill to introduce amendments to the Sino-Russian Agreements of 1924 never would have been brought up. This sense was conveyed to the Russians but to no purpose and they still absented themselves. As instructions issued to the Director-General were categorical he could not but enforce what he deemed fit. He accordingly caused to be published an order requiring all orders issued by the Russians if they were to be effective to be countersigned by the Chinese. The question was regarded solved for the Russians made no objection and they had the intention to let the Chinese head the few important departments mentioned.

The Question of the Telegraphs

Since the recovery of the Harbin telephone system the authorities have devoted attention to the taking back of the telegraphs along the Chinese Eastern Railway. In this connection the telegraph authorities were quoted as saying that two steps are to be followed: first the recovery of the communication organs that have no legal basis; second the rehabilitation of the telegraph system of the Three Eastern Provinces. Regarding this matter the Director-General of the Chinese Eastern Railway had received the following instructions:

1. The contract between the Chinese Eastern Railway and the Chinese Government for the installation of a telegraph system shall be abrogated by orderly negotiation. The telegraph system appertaining to the Railway in question and for its exclusive use shall be disposed of according to the rules governing the inter-connection of the telegraphs between the many Chinese State Railways.
2. Long-distance telephone along the Railway if found infracting the provisions governing telegraphs shall stop operation at once.
3. Until the time of the conclusion of a new agreement the telegraph line of the Railway in question must not transmit business telegrams.

4. When Chinese and Japanese troops joined in the expedition to Siberia the Japanese set up a wire from Chang-chun to Harbin, at present still in use by the Japanese. This wire is to be taken back and never to be given to others under no matter what name.

5. The telephone systems installed by the Russians in the many stations along the line that have not received the approval of the municipalities concerned shall be taken back and handed over to the telegraph authorities.

6. The detention by the Russian authorities in Vladivostok of the Harbin automatic telephones to the number of a thousand is illegal.

7. Until the conclusion of a new contract the chief of the telegraph department of the railway in question shall be a Chinese. The subordinate places in the different communication agencies shall be apportioned equally between both nationals.

8. Until the conclusion of a new contract telegrams that go out of the railway zone shall be censored.

At the time of construction of the Chinese Eastern Railway no right was given to the Russians to set up the telegraph system. Chinese efforts to prevail upon the Russians to stop activities availed little. At length the Russians agreed to pay to China two cents royalty for every word sent. By the eleventh year of the Republic the Waichaopu indicated to Russia the too small sum of royalty annually brought to China and hoped for a revision of the rate. It was finally decided to apportion equally the one and twenty cents among three parties, the Chinese Government, the Railway and the telegraph station in Russian territory. Since then the Russians expanded their business reaping annually a net profit of 300,000 while doling to the Chinese no more than a few tens of thousands. The telegraph department of the Railway has without the sanction of the Chinese authorities installed the long-distance telephone which also brought annually nearly 300,000 dollars. The Chinese authorities regarded the installation by the Russians of the telegraphs and telephones as having no legal basis, as harboring sinister designs and as derogatory to Chinese sovereignty. The Chinese Delegation of Directors have undertaken the negotiations for the recovery of them; if they fail in the task the question will be taken up directly by the responsible authorities concerned.

Land and Immovable Railway Property

As the Railway is a purely commercial enterprise it has no right to exercise jurisdiction over land and immovable

property in the Railway Zone. On the 23rd of March the Manchurian authorities telegraphed to the Director-General of the Railway to that effect. The Russians appeared to have agreed to the principle; but whether they would hand over the archives concerning them remains to be seen.

The Question of Instruction

The Head of the Bureau of Education in the Railway Zone has taken back many cultural institutions from the Russians. He is evidently *persona non grata* to the Russians, as the Russian Consul stationed in Harbin in an interview with the Governor General of the Three Eastern Provinces intimated the desirability of changing him for one who would not be so obstructive to Russian activities. "As long as the implementation of the Sino-Russian Agreements leaves much to be desired it is out of the question to talk of other problems: still less is it desirable to transact matters in Mukden. You should go to see the Director-General of the Railway," replied young General Chang to M. Melnikoff.

In the above mentioned interview M. Melnikoff revealed Russia's desire to conclude a new commercial treaty having for its object the maintenance of the present *status quo* in the Chinese Eastern Railway. If the Chinese agreed to the proposal the Russians would guarantee to the Chinese an annual sum of 20,000,000 whatever might be the receipts of the Railway. To fulfill this promise it was alleged that the Russians would resort to a rigorous retrenchment policy and to the enforcement of an increased freight rate. Reports did not indicate the attitude of the authorities towards this proposal. The rupture of diplomatic relations shortly followed.