

Quiet Occupation: The Chinese Eastern Railway under Japan and the Soviet Union, 1931–1935

ASADA Masafumi

Introduction

Seven years after the 1917 Bolshevik coup d'état, also known as the October Revolution, in Russia, the Union of Soviet Socialist Republics (est. 1922; hereafter USSR) regained control over the strategically located Chinese Eastern Railway (hereafter CER), which extended the Trans-Siberian Railway network all the way to Vladivostok through Northern Manchuria, after negotiating two agreements: one with the Beijing government signed on 31 May 1924; the other with Zhang Zuolin's government in Manchuria signed on 20 September 1924. The USSR had now regained control over the Imperial Russian-built CER, despite a 1919 manifesto issued by Lev Mikhailovich Karakhan, a Commissar for Foreign Affairs in the Soviet government, promising, among other things, that the railway would be conceded to China without compensation.¹⁾

On 6 February 1932, Japanese forces in Manchuria, the Kantô Army (*Kantôgun*), occupied Harbin, the administrative headquarters of the CER originally built by the Russians and located at the junction of the CER's main line and a branch running south to Changchun connecting to the South Manchuria Railway (hereafter SMR). According to the Japanese documentation, after the establishment of the puppet state of Manchukuo, Mikhail Mikhailovich Slavutskii, the Soviet Consul-General in Harbin, made an official visit to the Japanese military authorities to discuss the problem of the CER, during which he stated, "The CER may be placed under the jurisdiction of the new state's Transportation Ministry."²⁾ However, other historical sources tell us that the circumstances surrounding the CER was not so clear and simple, for between 1932 and 1935 the CER was to become a source of conflict between the Soviet Union and the Kantô Army, which during that time would take control of the rest of Manchuria (i.e., northeastern China). The purpose of this article is to write a history of this four-year period from not only the Japanese, but

also the Chinese and Russian, viewpoint.

1. Stalin and the CER: 1931–1933

The Manchurian Incident took place on the night of 18 September 1931, on the outskirts of Mukden, when a cabal of officers from the Kantô Army blew up a section of the SMR as a pretext to the Army's military takeover of Manchuria. Although Japan's invasion of Manchuria did provoke serious security concerns in Moscow, at a time when the threat of Nazi Germany did not yet exist, Japan's occupation of Manchuria hardly posed a major menace to Soviet Russia. An article which appeared in the Soviet government newspaper *Izvestiya* on 21 September 1931 suggested the end to detente between the Soviet Union and Japan,³⁾ as Japanese forces advanced through northern Manchuria towards the Russian border after the Incident, but the Soviet government reacted with continued restraint regarding what the Japanese were doing in its own territory, and even proposed the conclusion of a non-aggression pact in December 1931.

Although also during December 1931 Soviet Prime Minister Vyacheslav Mikhailovich Molotov had stood before the Soviet Central Executive Committee decrying a Japanese threat and an emerging crisis in Manchuria as the most crucial problem for the Soviet Union in the Far East and calling for increased vigilance,⁴⁾ Iosif Vissarionovich Stalin, the General Secretary of the Communist Party of the Soviet Union and a member of the Political Bureau of the Communist Party (Politburo), the Party's official executive organ consisting of top officials from the Party apparatus, government, and military, had quite a different plan. At a meeting of the Politburo's Defense Commission in January 1932, it was decided that in response to the Japanese occupation of Manchuria, troops and equipment would be immediately deployed to the Trans-Baikal, Mongolian People's Republic, and the Far East Region,⁵⁾ where the ability of the railways to adequately supply was being severely tested, requiring that top priority be given to the double-tracking of the Trans-Siberian Railway, as presented in three reports to the Politburo during February and March 1932 on the state of the Siberian lines in general and the construction work on the Ussuri and Trans-Baikal lines in particular.⁶⁾

Although the most effective way to stop the Japanese from advancing into the Soviet Far East was the recognition of Manchukuo, as insisted by Ôhashi Chûichi, Vice Minister of Foreign Affairs and Japan's most senior diplomatic official in Manchukuo, Stalin was against a policy of appease-

ment, writing in June 1932 to the secretary of the Central Committee and Commissar of Communications Lazar Moiseyevich Kaganovich,

We must not recognize a de jure Manchurian state. By insisting that we extend recognition, the Japanese are hoping to get us into a quarrel with China or Manchuria: If we recognize Manchuria, we get into a quarrel with China, if we refuse to recognize it, we get into a quarrel with the Manchurian government. That is how the Japanese reason it out with their shallow but cunning minds. But this game doesn't call for great minds. If recognition in a rush to recognize their own creation? We must replay to the Japanese that we are studying the question of formal recognition, as well as the question of why Japanese themselves aren't in any rush to recognize a Manchurian state.⁷⁾

Next to recognition, the second best policy was to sell the CER, an issue discussed in May 1932 between the Soviet Ambassador to Japan Alexander Antonovich Troyanovsky and Japanese industrialist Fujiwara Ginjirō, then Head of the Ōji Paper Company. Then on 28 June 1932, the Politburo sent Troyanovsky the following telegram.

Tell Fujiwara in the form of your personal opinion that the negotiations with him have clarified a great deal and have laid out various possibilities for settling the CER issue, but that they must be made more effective and to this end they must be conducted by people who are vested with the proper authority.⁸⁾

It was on 2 May 1933 that the Soviet government did just that, after deciding that selling the CER to Japan would limit attempts at anti-Soviet provocation by that country's "bellicose elements," as Stalin revealed in an interview with Walter Duranty (correspondent of the New York Times) on 25 December 1933.

We should like to maintain good relations with Japan, but unfortunately this does not depend on us alone. If a sensible policy gains the upper hand in Japan, our two countries can live in friendship. But we are afraid that the bellicose elements may push a sensible policy into the background. That is where the real danger lies and we are compelled to prepare against it. No nation can have any respect for its government if the latter sees the danger of an attack and does not

take measures of self-defense. In my opinion Japan would be acting unwisely should she attack the U.S.S.R.⁹⁾

In response to the Soviet offer, at a cabinet meeting on 23 May 1933, Japanese Prime Minister Saitō Makoto, a retired admiral and co-chairman of the Japan-Russian Society (Nichiro Kyōkai), decided to enter negotiations.

Previously, with Japanese troops now just across its border, the Soviet government had made an attempt as early as 1932 to patch over differences with the acknowledged leader of the Kuomintang Chinese nationalist forces, General Chiang Kai-shek, and had begun negotiations over a Soviet-Chinese nonaggression treaty. However, the Sino-Soviet talks were nullified the following year first by the Soviet decision to offer Japan a nonaggression pact and officially express their willingness to sell the CER. In response to the Soviet offer, on May 13, the Chinese Government instructed its ambassador in Moscow Yan Huiqing (W. W. Yan) to lodge a strong protest with the Soviet government against the proposed sale of the railway. Maxim Maximovich Litvinov, People's Commissar for Foreign Affairs, replied to Yan that the sale of the railway would be favorable for China, since the railway could not be removed to Japan after purchase and would revert to China free of charge after the Republic's eventual recovery of Manchuria.¹⁰⁾

Then on 31 May, the Chinese put an end to the negotiation with the Soviet Union by signing the Tanggu Truce with the Kantō Army, which declared most of Hebei Province as a demilitarized zone free of Chinese forces. The Truce ended the fighting between the Chinese and the Japanese after the invasion of Manchuria under a new Nationalist strategy to crush the Communist forces first and deal with the Japanese later.

2. The Imperial Japanese Army and the CER, 1933–35

In early 1933, United States Ambassador to Japan Joseph Clark Grew became deeply concerned over the possible outbreak of war between Japan and the Soviet Union, fearing that Japan might attack the Soviet Union at some time in the relatively near future, in all likelihood sometime during 1935, after the Japanese government was expected to complete its plan to modernize its army.¹¹⁾ Tensions continued into the following year. Grew expressed his concern in his diary on 8 February 1934 as follows.

The foreign military attachés are, I believe, unanimously pessimistic. It is certain that an important faction of the armed forces of the Empire, especially the younger elements, earnestly desire a conflict with the Soviet Union, for the primary purpose of which all the energies of the Army and Navy are united in an intense and unanimous effort of preparation. I have once before drawn the parallel of the intensively trained football team which, being convinced of its superiority and dissatisfied with mere practice, desires a game.¹²⁾

Similar concerns were expressed by British Military Attaché in Japan E. A. H. James, who filed a report to the War Office in January 1933 pointing out the Japanese response to the Soviet military buildup along its Far Eastern frontier. This mobilization, which had been implemented in order to safeguard USSR claims to the CER, had prompted an escalation in armaments production and general readiness for war in Japan. “There is no question,” James opined, “but that the officers of the army, and notably some of the senior officers, feel convinced that in a few years’ time Japan will find herself at war with Russia.”¹³⁾

Such views expressed by western diplomats were not far from those held by the Soviet government. On 15 December 1933, the first American Ambassador to the Soviet Union William Christian Bullitt Jr., who respected Prime Minister Molotov for his dignity and intelligence, discovered his preoccupation with Japan in a conversation in which Molotov confided, “The primary desire of the entire Soviet government was to avoid war and to obtain time to work out the domestic reconstruction which had scarcely begun.” Nevertheless, Molotov was prepared for the worst, fearing a Japanese attack as early as next spring, marking “1935 as the probable limit of peace.”¹⁴⁾

The main reason why a war with Japan was so alarming was that it raised the possibility that the Soviet Union would be forced to fight a war on two fronts, for in Germany, Adolf Hitler had been appointed Chancellor of the Reich in January 1933 and the additional Japanese threat was just another ingredient in what the Soviet leadership saw as an increasingly unstable world.¹⁵⁾ Of course, we know that war did not break out between Japan and the USSR, but to ascertain the reason why, it is necessary to understand the power struggle going on within the Japanese Army at that time.

After the Manchurian Incident, during 1931–32, the Japanese High Command in Tokyo sought to avoid direct infringement on Soviet in-

terests, since such a clash with the Russians could complicate what was already a delicate situation in northeastern China. However, within the ranks there existed strong disagreement on both domestic and foreign policy between the two leading factions in the Imperial Army. One is Kōdō-ha (Imperial Way Faction), which included many regimental officers who advocated strong measures against the Soviet Union, and the other is Tōsei-ha (the Control Faction), which argued that battles could be won only by rational planning using advanced military technology and sophisticated weaponry.

Concerning Asia, the Kōdō-ha considered the Soviet Union to be Japan's main enemy, as shown by advocate General Araki Sadao, who served as Minister of Army during 1931–1934, insisting on war preparations focusing on the Soviet Union, while his closest adviser Obata Toshishirō, whom Araki had promoted to the rank of Colonel and placed in charge of the Operations Section of the General Staff Office, favored the idea of an preemptive strike against the USSR before it was fully ready for war and dangerous.

Japanese historian Kitaoka Shinichi has explained the situation as follows.

For some time after the Manchurian Incident, the army's plan of operation vis-a-vis Soviet forces was formulated on the assumption that the Soviet army was not much superior to the Russian army under the czar. The men most responsible for the plan were Obata Toshishirō and Suzuki Yorimichi, both serving as operations section chiefs on the General Staff, and both members of the Kōdō-ha, which believed war with the Soviet Union to be inevitable.¹⁶⁾

Army Minister Araki ordered Obata and the General Staff to devise a plan for an attack on the Soviet Union in the spring of 1933. However, as the result of a bitter debate among the Army Ministry's department heads, the pro-Soviet aggression advocates were outvoted, causing Araki to abandon the plan.¹⁷⁾

Prevailing in that debate were the members of the Tōsei-ha, whose central figure was Nagata Tetsuzan of the Army Ministry's Military Affairs Bureau and whose policy positions can be best characterized as being opposed to everything the Kōdō-ha stood for. Accordingly, Nagata and his followers were able to convincingly advocate concentrating mainly on Manchuria and China prior to launching an attack on the Soviet com-

unist regime, and thus succeeded not only in blocking the Kōdō-ha's plan to open hostilities against the Soviet Union after the spring thaw of 1933, but also opening a window of opportunity for Litvinov's May 2nd proposal for the sale of the CER to Japanese Foreign Minister Uchida Kōsai, which was lauded throughout the Japanese diplomatic community as a "god-send."

In the aftermath of Japan's censure by the League of Nations and its consequent withdrawal from that body in March 1933, the sentiment in the diplomatic community was represented by a memorandum written by Tōgō Shigenori, the Head of the Foreign Ministry's European and American Bureau, which argued that establishing good relations with the Soviet Union through the purchase of the CER was an excellent way to avoid Japan's diplomatic isolation from the rest of the world. Tōgō then met with Tōsei-ha leader Nagata and obtained his cooperation in selling the Army on the CER deal.¹⁸⁾

In addition to Foreign Minister Uchida, his future successor, Hirota Kōki, who had served as Ambassador to the Soviet Union from 1930 to 1932, was also in agreement with Tōgō's opinion and from the time of his appointment in September 1933, adopted a policy toward Soviet emphasizing "separation of politics and economics," meaning that although Japan did not intend to negotiate a nonaggression pact with the USSR, it heartily welcomed negotiation regarding fishing rights and oil and coal concessions in northern Sakhalin, as well as talks on the purchase of the CER.¹⁹⁾

The latter, which began in Tokyo on 26 June 1933 in an atmosphere of total disregard for protest lodged by the Chinese Nationalists, were led on the Japanese side by Ting Shiyuan, Manchukuo's Envoy Extraordinary and Minister Plenipotentiary to Japan, and Ōhashi Chūichi, Japan's senior diplomat in Manchukuo, together with a team of Japanese diplomats and military officers, including Sugihara Chiune, who would seven years later as Deputy Consul General to Poland disobey home office directives by issuing visas allowing Jews to travel out of Nazi-occupied territories via Japan. The Soviet side was represented by Constantin Constantinovich Yureneff, the USSR Ambassador to Japan and the member of the Central Executive Committee of the USSR, Benedict Ignatievich Kozlovsky, Chief of the People's Commissariat for Foreign Affairs, and Stephen Matveevich Kuznetsov, Vice Chairman of the CER Board of Directors. The negotiations began with the delegation from Manchukuo disputing the Soviet Union's right of ownership to the railway and proposed

a sale price one-tenth that of the price demanded by the USSR, which the Soviet delegation rejected.

The Japanese General Staff Office showed little interest in the talks at first, due to predictions that the price demanded would be too high and that if acquired, the railway would likely motivate the Russians to further strengthen their Far Eastern border defenses. A number of staff officers in the Operations Section and the Transport and Communications Section felt that the purchase was not really necessary, since continued Japanese pressure on the Soviet Union would isolate the CER, causing it to automatically fall into Japanese hands. Such a wait-and-see attitude was countered by Nagata and other generals who argued that not only was it irrational to have a Soviet-dominated railway running through the heart of Manchukuo, but also the acquisition of the CER was crucial to Japan in matching its operational preparations to those of the Soviets in the Far East.²⁰⁾

Obata and Nagata were transferred out of the General Staff headquarters in August 1933 over their involvement in the Soviet policy conflict (Nishi Haruhiko, 1st Section Chief of the Foreign Ministry's European & American Affairs Bureau would describe them as strictly disciplinary steps), thus enabling the Ministry of Foreign Affairs to move the resolution for the purchase of the CER at a cabinet meeting in Obata's absence.²¹⁾ However, Suzuki Teiichi, then a lieutenant colonel serving as chief of the Army's press section and one of the very few middle-echelon officers capable of moving in both Araki's and Nagata's circles denied such intrigue in a 1974 interview, stating that Obata also agreed to buy the CER, but pretended opposition to the negotiations with the USSR to bring down the purchase price.²²⁾ The truth remains a mystery, but after much argument, the idea of buying the railway carried the day, and the Army recommended that for strategic reasons the matter be given immediate consideration. However, there is something else more complicated about the affair; namely, the fall from grace of the Kōdō-ha in the high command due to attrition of high level personnel after Araki's resignation.

When Araki resigned as Army Minister in January 1934, the Kōdō-ha planned to replace him with General Mazaki Jinzaburō, Vice Chief of Staff and Araki's academy classmate, but the move was blocked by Chief of Staff Prince Kanin-no-miya Kotohito. Instead, Mazaki was relieved of his post as Vice Chief and "kicked upstairs" into the Supreme War Council, while Obata was forced to leave his position as 3rd Bureau Chief of

the General Staff in March 1934. Many of Araki's protégés were thus replaced, and the newly appointed Army Minister General Hayashi Senjurô together with Nagata organized a staff capable of devising a basic, long term program. As a result of these events, the Japanese Army was stopped from interfering in CER purchase negotiations, greatly facilitating their speedy conclusion. Following the purchase, Nagata was assassinated in his office on 12 August 1935 by Lt. Colonel Aizawa Saburô who was convinced that the Tōsei-ha's policy of patience played into Chinese and Soviet hands.

3. Manchukuo and the CER, 1933–35

After the Manchurian (Mukden) Incident, Li Shaogeng became the key person for the Kantô Army and Manchukuo to control the CER as its Board Chairman and President, and as such became a "traitor" (*hanjian*) in the eyes of his former comrades serving under warlord Zhang Zuolin. As a matter of fact, Li had been collaborating with the Japanese and the State of Manchukuo since 1932, before which as a Chinese nationalist he had fought against Russian control over the CER during the 1920s. Such antagonism continued in an April 1933 memo of protest Li sent to CER Soviet Vice Chairman of the Board Kuznetzov, demanding the immediate return of the rolling stock—83 locomotives, 190 passenger cars and 3,200 freight cars, then being detained in Siberia. To bring pressure upon the Soviet side, the Kantô Army set up a blockade of the CER at Manchuli on the western border of Manchukuo and USSR, and detained the International Wagons-lits from Moscow to Vladivostok on 7 April. Li delivered an ultimatum to Kuznetzov demanding the return of the detained rolling stock within a period of thirty days on 12 April. On May 31, after Kuznetzov set the matter aside, the Kantô Army set up another blockade, which was placed on the eastern border at the Soviet customs station at Pogranichny in the Maritime Province on the way to Vladivostok and the Sea of Japan, forcing all trains leaving the border-crossing point at Suifenhe Station westbound for Manchuli to be inspected and effectively preventing all locomotives and cars from passing through into the Soviet territory until mid-summer of 1933.²³⁾

The blockade was not the first setback suffered by CER operations in northeast China, which were in direct competition with the Japanese-controlled the SMR in the transport of Manchurian soybeans and wheat to Vladivostok and the Sea of Japan. In addition, Manchukuo had built

new lines to compete with the CER, the first series of which linked the Manchurian railway hubs of Siping Jie, Jilin, Harbin and Suihua with railway towns on the border with Korea—Ji'an, Tumen, Dongning and Hulin, thus tying the SMR rail network more closely to the Korean network, providing both improved strategic access and new trade routes to Japan through the Korean Peninsula.²⁴⁾ As a matter of fact, the Harbin-Tumen and Tumen-Port of Rajin railway lines were considered to be the shortest routes from the heart of Manchukuo to the Japan Sea. Then the SMR undertook to build a new port in Najin beginning in 1933,²⁵⁾ at the urging of General Ishiwara Kanji, Chief of the Army General Staff Operations Section and the so-called “architect of Japan’s Manchuria policy.”

Consequently, the CER’s freight tonnage had been declining year by year since 1929 (see Table 1), due not only to the Mukden Incident, but also to the collapse of world trade in the wake of the Great Depression and vanishing exports markets for Manchurian commodities as a result. Of course the damage caused to the CER by the Incident was by no means insignificant. Although Table 2 calculates the amount at only 4,725,000 rubles, the CER Board of Directors reported that the railway lost 52,621,375 rubles between 1931 to 1934, after including shutdowns caused by banditry, blockades etc.

Next to be targeted were the employees of the CER. On 19 September 1933, Komatsubara Michitarō, head of the Harbin branch of the Imperial Army’s secret intelligence agency, in cooperation with Manchukuo government officials, decided to have a group of CER Soviet employees put under arrest for the purpose of adding pressure to the purchase negotiations.²⁶⁾ According the autobiography of Mutō Tomio, a high-ranking Japanese official in the Manchukuo Ministry of Justice at the time, the arrest was a ploy to force the USSR to reduce its asking price, under the rationale that “it was a soft tactic because we did not use armed force, only the rule of law.”²⁷⁾

The Soviet leadership discovered the plot from deciphering the Japanese codes, and Litvinov went about preparing a draft declaration stating such. The first draft of the document was worded in fairly mild terms by Commissar of Communications Kaganovich, who was evidently taking into account the caution that Stalin had taken vis-a-vis Japan up to that time. However, this time Stalin decided to be firm and ordered a sharply worded paragraph be inserted in the text demanding that the Japanese take responsibility for violating treaties and plotting the seizure of the railway. After the Politburo’s approval on 20 September 1933, Stalin’s

version was incorporated into a USSR government statement to be published in the Soviet newspapers on the 22nd.²⁸⁾ Consequently, the Soviet workers in question were released in 1934, but the arrests of other Soviet workers continued until the conclusion of the purchase negotiations in 1935.

That conclusion was reached on 23 March of that year after a total of fifty-six meetings, the State of Manchukuo finally agreeing to pay 140 million yen for the railway (see Appendix). The Soviet government had bowed to Japanese pressure and sold its share of the CER to Manchukuo for less than a quarter of its original asking price of 625 million yen. Payment was made through an open-end mortgage system, in which the property used to secure the loan can be used to secure a later loan of equal ranking, an arrangement that was brand new to Japan.²⁹⁾ Ōhashi Chūichi, a veteran diplomat and head Manchukuo negotiator, was not satisfied, writing in his diary on 23 March 1935; “I must conclude Japan and Manchukuo lost on the diplomatic front,” but, “we should consider this as an investment for the future.”³⁰⁾ Japan then bought the CER, established monopolistic control over Harbin and incorporated the railway into the Manchurian Railway network by converting it to standard gauge track.

Relations had been worsening between the SMR and the Kantō Army since 1933, when the latter secretly began formulating plans to reorganize and weaken the former. However, the Manchukuo government had, under a contract signed in March 1935, entrusted the management of the entire CER line and its affiliated enterprises to the SMR. SMR Director Usami Hiroji (aka Kanji) had instructed his executives in November 1934, “I want you to condemn the CER almost as if it were a quiet occupation... but if there is any trouble with China over CER property in Tianjin and Shanghai, it will have to be resolved, even with military force.”³¹⁾ Under these instructions, a few days before the conclusion of the deal, about three thousand employees of the SMR were dispatched from south Manchuria to the CER to take over railroads, stations and buildings.

Outraged over the whole affair, the Chinese refused to acknowledge the validity of the sale, issuing formal protests as early as 16 March to Japan, the USSR, the United States, Britain, France, Italy, the Netherlands, Portugal and Belgium, declaring that irrespective of a formal signing of the CER transfer agreement, China would continue to reserve its right and interests in the Railway, “despite its illegal sale.”³²⁾ The Soviet Union’s reply to the declaration appeared in the government newspaper *Izvestiya* as follows.

Every thinking Chinese patriot knows the USSR would have been deeply happy if it had been possible to turn over the Railway to the great Chinese people, friendship with whom it especially valued by the people of the USSR; but the Chinese people are not masters of the situation in Manchuria and they would gain nothing if the CER became an object of war, which might destroy this Far Eastern Railroad.³³⁾

China refused also to relinquish control of valuable river front property in Shanghai which belonged to the CER and had been part of the holdings of the Russo-Asiatic Bank, which the CER had owned until 1924. There is no information on the outcome of this matter, but it is likely that Japanese forces took over the CER wharf in Shanghai when they occupied the city after start of the Sino-Japanese war in 1937.

4. After the Deal

According to United States Ambassador to Japan Joseph Clark Grew, the big winner in the CER purchase was the intermediary in the negotiation, Japanese Foreign Minister Hirota Kōki. Grew wrote the following to the US Secretary of State on 5 April 1935.

Hirota has accomplished by peaceful means what Japan sought to accomplish by war in 1904–5, and at least part of what the Japanese Army undoubtedly expected to accomplish by war in 1935 or 1936. The Russians have been sent north of the Amur and Japan now has Manchuria exclusively to herself ... Mr. Hirota's prestige has been enhanced by his successful meditation in the Chinese Eastern Railway question, and he should therefore be in a better position than before to vary out his policy of conciliation.³⁴⁾

It was Hirota who was appointed Prime Minister in March 1936 following the attempted Imperial Army coup of February 26, 1936 (the 2.26 Incident), which resulted in the resignation of Prime Minister Okada Keisuke and his entire cabinet. Although as Foreign Minister Hirota had created an amicable atmosphere between Japan and the USSR through the completion of the CER sale, as Prime Minister Hirota, he and his cabinet concluded the Anti-Comintern Pact with Nazi Germany on 25 November 1936, which led to the worsening of Soviet-Japanese diplomatic relations

and consequent year-by-year delays in payments for the CER.

Even after the sale of the CER and before Hirota's premiership, Stalin remained wary of Japan, as evidenced by a 29 March 1935 conversation with soon-to-be British Foreign Secretary Anthony Eden, in which Eden recalled him commenting, "In 1913 there was only one potential aggressor, Germany. Today there are two, Germany and Japan." In that same conversation Eden records Stalin's remark touching upon the sale of the CER as follows.

Dealing first with Japan, Stalin said that while it was true that it would probably take Japan some little to digest Manchuria, he was confident that she would not rest content with that conquest. It was Japan's policy either to overthrow or to dominate the Government of Nanking and the opening moves of that game were already being made. I said that, while I was conscious of the anxieties of the Far Eastern situation, it seemed to me that the wise statesmanship of the Soviet Government in settling the difficulty of the Chinese Eastern Railway had brought about, for the moment at least, a considerable *détente* in Russo-Japanese relations. Stalin agreed that this was so, but added that this achievement alone was not enough to ensure peace in the Far East.³⁵⁾

Then in May 1935 a large group of Soviet CER railway employees and their families, the majority of which had either been born in China or Tsarist Russia and had never resided in the Soviet Union, were "repatriated." As early as the following year several of these "Harbiners" (*Kharbintsy*) were suspected of being "spies from Manchukuo" and arrested, marking the start of a public campaign to expose and charge them with espionage for the Japanese. The NKVD (People's Commissariat of Internal Affairs) considered arresting all of the repatriated "Harbiners" as related in a 15 August 1937 telegram from Grigorii Fedorovich Gorbach, the NKVD Chairman in Omsk, to NKVD Head Nikolai Ivanovich Yezhov.

Even as the political police were conducting arrests according to the various national and anti-Soviet operational orders, the Politburo approved yet another mass operation, the so-called Harbin operation. This involved the arrest of some twenty-five thousand people who had worked in China along the rail line owned by the Soviet Union from the Soviet border to the Chinese city of Harbin. As with the "na-

tionality” operations, leaders feared that all individuals who had been abroad or worked for the rail line, or who had fled for the Japanese, whose troops occupied Manchuria, where Harbin was located.³⁶⁾

The “Harbin Operation” was approved by the Politburo on 19 September 1937, during the height of Stalin’s purges, giving the following rationale.

Reliable agent-operational materials show that the great majority of the *Kharbintsy* entering the USSR consist of former White [Army] officers, policemen, gendarmes, members of various immigrant spy-fascist organization, and so forth. For the most part, they are agents of Japanese intelligence, which has sent [these agents] into the Soviet Union for terrorist, subversive, and spying activities.³⁷⁾

Conclusion

It was in 1933 that the Soviet Union finally decided to sell the CER for the following reasons. First, Japan had already occupied all of Manchuria, which included a large portion of the CER rail network and its center of operations at Harbin. Consequently, the Soviet leadership concluded that their share in the CER could possibly drag them into a war which they were not yet ready to fight. Ignoring Chinese protests over the sale, the Soviet leadership wanted to avoid international disputes for the time being and did not protest the Japanese advance into northern Manchuria. Secondly, the economic importance of the railway was rapidly waning, due not only to combat operations and banditry, but also to construction by Japan of a parallel line from Harbin south to the Korean port of Rajin, which the Japanese planned to rival Vladivostok and become northern Manchuria’s soybean export center.³⁸⁾

For Japan, purchasing the CER had several different meanings and involved an important interaction of international relations and domestic politics. The diplomats in Japan and Manchukuo wanted to buy the railway as soon as possible, since it posed a possible cause of trouble with the Soviet Union, while the Army General Staff in Tokyo was concentrating on the CER as the central point of a plan to immediately attack the Soviet Union proposed by Kōdō-ha advocate General Obata and generally supported by his colleagues until mid-summer 1933. The preemptive strike was abandoned when it was decided to concentrate first on operations in northeastern China and the establishment of Manchukuo, thus providing

time for the Soviets to propose the sale of the CER, whose importance was understood by the Tōsei-ha and its leader General Nagata, and allowing the Foreign Ministry to take the initiative in purchasing it. Thus, the CER exists as an excellent example of how domestic politics influences international behavior and vice versa.

Notes

- 1) On this subject, see Bruce A. Elleman, *Diplomacy and deception: The secret history of Sino-Soviet diplomatic relations, 1917–1927* (Armonk, N.Y.: M. E. Sharpe, 1997), chapter 4.
- 2) Yomiuri Shinbun, March 17, 1932; Takigawa Seijirō and Etō Shinkichi (eds.), *Manshū kenkoku jūnen-shi* [The ten-year history of the establishment of Manchukuo] (Tokyo: Kōa Futoku Kenshōkai, 1942; repr., Hara Shobō, 1969), p. 95.
- 3) Shimotomai Nobuo, “Stalin and the rise of Japanese militarism, 1931–34,” *Hōgaku Shirin* [The Review of Law and Political Science, Hōsei University] 95, no. 3 (1998), p. 7.
- 4) Derek Watson, “The Politburo and foreign policy in the 1930s,” in E.A. Rees (ed.), *The nature of Stalin’s dictatorship: The Politburo, 1924–1953* (Basingstoke and New York: Palgrave Macmillan, 2004), p. 142.
- 5) Sally W. Stoecker, *Forging Stalin’s army: Marshal Tukhachevsky and the politics of military innovation* (Boulder, CO: Westview Press, 1998), p. 70.
- 6) Edward A. Rees, *Stalinism and Soviet rail transport, 1928–41* (Basingstoke: Macmillan, 1995), p. 63. For further details on domestic policy in the Soviet Far East after the Manchurian incident, see Terayama Kyōsuke, “Soviet policies toward Mongolia after the Manchurian Incident,” in Tadashi Yoshida and Hiroki Oka (eds.), *Facets of transformation of the Northeast Asian countries* (Sendai: Center for Northeast Asian Studies, 1998, pp. 37–66.) and Jonathan Bone, “A la recherche d’un Komsomol perdu: Who really built Komsomolsk-na-Amure, and why,” *Revue des Études Slaves* 71, no. 1 (1999), 59–92.
- 7) Robert W. Davies, Oleg V. Khlevniuk, and E. A. Rees (eds.), *The Stalin-Kaganovich correspondence, 1931–36* (New Haven, 2003; Russian ed., Moscow, 2001), pp. 125–126.
- 8) *Ibid.*, p. 156.
- 9) Iosif V. Stalin, *Works*. Vol. 13 (Moscow: Foreign Languages Publishing House, 1954), p. 285.
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Table 1. The Volume of CER's Transportation from 1926 to 1934 (in ton)

Year	Import				Export			Transit				Local Transportation	Total		
	From the Ussuri Railway	From the Zabaikal Railway	From the SMR	Total	To the Ussuri Railway	To the Zabaikal Railway	To the SMR	Total	From the Ussuri Railway To the Zabaikal Railway	From the Zabaikal Railway To the Ussuri Railway	From the Ussuri Railway to the SMR			From the SMR to the Ussuri Railway	Total
1926	1,208,095	—	1,319,631	2,527,726	77,523	—	436,870	514,393	—	—	—	—	4,232,993	7,275,112	
1927	1,487,248	—	1,279,572	2,766,820	81,846	—	456,698	538,544	—	—	—	—	4,898,885	8,204,249	
1928	1,503,564	—	1,183,190	2,686,754	94,062	—	522,940	617,002	—	—	—	—	5,448,558	8,752,314	
1929	815,651	—	1,971,340	2,786,991	45,703	—	466,443	512,146	—	—	—	—	5,605,316	8,904,453	
1930	1,305,198	—	720,976	2,026,174	59,089	—	340,924	400,013	—	—	—	—	4,214,109	6,640,296	
1931	1,391,686	—	967,601	2,359,287	43,525	—	153,275	196,800	—	—	—	—	3,910,733	6,466,820	
1932	420,407	—	1,230,419	1,650,826	22,804	—	170,337	193,141	—	—	—	—	2,987,902	4,831,869	
1933	223,150	—	627,559	850,709	18,558	—	166,866	185,424	—	—	—	—	2,290,627	3,326,760	
1934	158,895	—	467,742	626,637	10,139	—	94,830	104,969	—	—	—	—	2,086,845	2,818,451	

Source: *Statisticheskii ezhegodnik 1934 g.* [Annual Statistics in 1934] / Sost. Ekonomicheskim bituro KVZhD (Kharbin: Tipografija KVZhD, 1935), p. 73.

Table 2. Income and Expenditure of the CER (in thousands of rubles)

Year	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
Income (Railway Service)	48,505	57,347	60,043	64,711	69,416	49,922	40,589	46,825	36,625	33,513
Expenditure (Railway Service)	24,138	27,220	35,230	40,239	32,761	28,629	22,843	21,575	16,606	16,393
Total (Railway Service)	24,367	30,127	24,813	24,472	36,655	21,293	17,746	25,250	20,019	17,120
Expenditure of the Start-up Business	2,903	5,276	5,736	7,383	4,416	1,253	493	234	112	69
Total	21,464	24,851	19,077	17,089	32,239	20,040	17,253	25,016	19,907	17,051
The loss by citing bad exchange rates.	—	1,918	5,432	8,150	11,428	6,957	3,316	3,209	2,687	3,200
Expenditure of the Special Business	2,526	3,377	4,569	4,493	4,105	3,841	3,224	3,089	2,850	2,370
lending money to Chinese and Manchukuo	3,485	3,437	3,220	3,870	4,072	5,032	2,818	2,654	2,535	2,035
loss on Manchurian Incident	—	—	—	—	—	—	—	4,725	331	223
Loss on break diplomatic ties with China	—	—	—	—	10,215	1,939	134	6	2	—
Expenditure on the basis of article 13 of the Soviet-Mukden Agreement	—	—	—	25,506	139	3,000	—	2,000	—	—
Total	15,453	16,119	5,856	-24,930	2,280	-729	7,761	9,333	11,502	9,223

Source: *Staticheskii ezhegodnik 1934 g.* [Annual Statistics in 1934] / Sost. Ekonomicheskim biuro KVZhD (Kharbin: Tipografia KVZhD, 1935), p. 51.

Appendix:

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 North Manchurian Railway (Chinese Eastern Railway)*

Manchoukuo and the Union of Soviet Socialist Republics, being desirous to settle the question of the North Manchurian Railway (Chinese Eastern Railway) and thus to contribute to the safeguard 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 North Manchurian Railway (Chinese Eastern Railway) ...

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 North Manchuria Railway (Chinese Eastern 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 North Manchuria Railway (Chinese Eastern Railway) shall pass to the Government of Manchoukuo upon the coming into force of the present Agreement, and at the same time the North Manchuria Railway (Chinese Eastern Railway) shall be placed under the complete occupation and the sole management of the Government of Manchoukuo.

* The agreement is consisting of fourteen articles. For the full document, see Gaimushô Jôhôbu, *Hokuman tetsudô jôto kôshô kankei jôyaku happyô shû. Zokuhen* [Reports and Treaties of the Negotiations about the Transfer of the North Manchurian Railway. Continuation] (Tokyo: Gaimushô Jôhôbu, 1935), pp. 19–45. [info: ndljp/pid/1214208].

Article III.

1. Upon the coming into force of the present Agreement, the senior members of the administration of the North Manchuria Railway (Chinese Eastern Railway) who are citizens of the Union of Soviet Socialist Republics shall be replaced from their duties. The said senior members of the administration of the Railway shall hand over all the archives, records 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 the administration of the North Manchuria Railway (Chinese Eastern Railway)” employed in the present Article indicates:

- (A) All the members of the Board of Directors and the Audit Committee.
- (B) The general manager and assistant manager of the Administration.
- (C) The assistant chief controller.
- (D) All the managers and sub-managers of the Departments of the Board of Directors, the Audit Committee, the Control and the administration. All Agents for commission, engineers for commission. All the senior agents, advisors and chief of the sections and sub-sections ...

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 provision 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 effected in the form of payments made by the Government of Manchoukuo for goods delivered to the Union of Soviet Socialist Republics in accordance with the provision 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 provision 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 the Treasury Bonds of the Government of Manchoukuo. The Said Treasury Bonds are to be issued of the following amounts and mature on the dates indicated hereunder: six million three hundred and seventy-six thousand five hundred (6,376,500) yen maturing on December 23rd, 1935; six million two hundred and forty-four thousand eight hundred and seventy-five (6,244,875) yen maturing on September 23rd 1936; six million one hundred and thirteen thousand two hundred fifty (6,113,250) yen maturing on June 23rd, 1937; five million nine hundred and eighty-one thousand six hundred and twenty-five (5,981,625) yen maturing on March 23rd, 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 paid at the Industrial Bank of Japan, Ltd ...

Article X.

1. There months' notice shall be given to each of the employees of the North Manchuria Railway (Chinese Eastern Railway), other than those indicated 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 from reasons of convenience on the part of the Government of Manchoukuo after the coming into force of the present Agreement.

2. Employees of the North Manchuria Railway (Chinese Eastern Railway) who are citizens of the Union of Soviet Socialist Republics and who may be dismissed shall have the right to remain in Manchoukuo for two months after their dismissal in order to dispose of their personal affairs.

3. Employees of the North Manchuria Railway (Chinese Eastern

Railway) who are citizens of the Union of Soviet Socialist Republics shall continue in the full enjoyment of their rights in movable and immovable property in accordance with the laws of Manchoukuo.

4. Employees of the North Manchuria Railway (Chinese Eastern 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 of [sic.; or (?)] in its money equivalent in any foreign currency.

5. Employees of the North Manchuria Railway (Chinese Eastern 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 North Manchuria Railway (Chinese Eastern Railway) for themselves, their families, and their personal and household effects either to the station of Manchuli or to the station of Suifenho [Suifenhe], at their own option.

Article XIII.

The Government of Manchoukuo and the Union of Soviet Socialist Republics, with a point of view to promote and facilitate the intercourse and tariff 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 railway stations of the Union of Soviet Socialist Republics and those of the North Manchuria Railway (Chinese Eastern Railway), and also, technical conditions permitting, direct services without reloading of goods between the Ussuri Railway and the North Manchuria Railway (Chinese Eastern Railway) via the station Suifenho.

Within the period of the said three months, the two Governments shall conclude another separate agreement which will provide for telegraphic connection between the telegraph lines hitherto operated by the North Manchuria Railway (Chinese Eastern Railway) and those of the 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 have affixed thereto their sales.

Done in dispute in the English language in the City of Tokyo, this twenty-third day of the third months of the second year of Kangte, corresponding to the 23rd day of March, 1935.

(L. S.) W. S. Y. Tinghe

(L. S.) Chuichi Ohashi

(L. S.) Wu Tse-Sheng

(L. S.) C. C. Yourenoff

(L. S.) B. I. Kozlovsky

(L. S.) S. M. Kuznetsoff