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Excerpts from
"Business Report of 1938"
of the
Foreign Ministry, Treaty Bureau
(pages 194-203)

Chapter 6 --- Problems Relating to Opium and Narcotics.

I. The Opium and Narcotics Problem in China.

Since the outbreak of the China Incident in July, Showa 12 (1937), the areas occupied by our forces in China have gradually been expanded, and new governments have been established in various places. The Foreign Ministry, recognizing the necessity of fixing an opium and narcotic policy in these areas and of giving proper guidance to the new governments in collaboration with the occupational forces as an urgent one, following investigations, resorted to the following general measures:

(1) With regard to opium, the prohibition policy heretofore adopted shall be continued in principle, but in view of the Chinese people's bad habit of smoking opium and the present condition of public peace, control suitable to the actual situation shall be exercised. (We admit the prematurity of a monopoly system.)

(a) The Mongolian Committee is keeping control over the production, collection and exportation of opium produced in that territory. The North China Government had set up an Investigation Section in its Revenue Superintendence Office simultaneously with the establishment of that government, and has been imposing a stamp duty on the opium traded in the area under its jurisdiction and has thus kept control over illegal trade. Furthermore, an Association of Opium-dealers has been organized under our guidance for a more complete control over opium traffic.

(b) In Central China also the Restoration Government recently established the General Opium Monopoly Bureau to supervise over the Opium-Dealers' Association, called the Hung Chi Shan Tang, and thus commenced control over the opium business.

(c) In Canton also, the opium monopoly system is said to have been in force before it was occupied by the Japanese forces. Careful investigations are now being carried out to form our future policy for control over opium.

(d) Although we do not know the total amount of revenue collected by the New Government on opium, we are told that the local government of Hopeh Province collected revenue on opium totaling about FRB \$200,000 exclusive of the revenues collected by the lesser local governments in February, this year. It can be imagined that the total revenue will increase, together with the bringing about of public peace and enforcement of new policies.

(e) In addition, we are acting under the policy of using (domestic) opium for obtaining raw materials for producing opium as much as possible and are now adjusting the production of Mongolian opium. In April, this year, the province was isolated from the opium-producing districts in Central China, consequently there was a sudden rise in the price of opium. The price rose from \$5 to \$15 per liang or per 10 momme, or 375.65 g. Complying with the demands of our occupation forces, we allowed 428 cases of Iranian opium to be imported under an import certificate issued by the North China Government because we feared some illegal traders of a third country might take advantage of the situation.

(2) The harm caused by narcotics is even greater than that of opium. To carry out the above opium policies successfully, we find it absolutely necessary not only to keep strict control over narcotics but also to strictly prohibit their illegal trade in our occupied areas due to the international nature of this business. We are now guiding the New Government in collaboration with our occupation forces and, at the same time, we are acting under the following measures, in addition to carrying out strict enforcement of existing ordinances of the Foreign Ministry and offering guidance in the changing occupation with regard to control of the illegal Japanese traders in China who have always been apt to give rise to trouble in one way or another:

(a) Punishment of illegal Japanese dealers severely within the limits provided by the ordinances in order to exercise strict control over them and to prohibit habitual offenders from residing in China;

(b) To keep perfect control over illicit manufacture of narcotics which is the root of all illegal trade;

(c) To guide and assist illegal Japanese dealers in changing their employment.

With regard to giving guidance to those changing their employment, they are being engaged as "benriya" (porter, messenger, etc.) or chop housekeepers, connected with the forces in areas which are under the occupation of the Imperial Forces. Regarding the eastern part of Hopeh we decided to make the Totoku (Far East Colonization Company) set up a "Security farm village" in Luitai for Korean paupers in cooperation with the Government-General of Chosen. Basic works were begun in September, this year. (3,500 chobu (8,575 acres); 1,000 Korean families to be accommodated. Out of the total necessary funds amounting to ¥680,000, government subsidy is expected to cover ¥230,000.) Up to the present time, narcotics were exported to China for the use of Japanese doctors, pharmacists and hospitals in China under import permits issued by consulates in accordance with Foreign Ministry ordinances. Following the establishment of a new government, we found it proper to supply narcotics for medical use from Japan proper on the standpoint of collaboration with the Chinese narcotic policy, and we did our best whenever any concrete problem arose through consultations with the military and the Ministries concerned. (As of the end of October, Showa 13 (1938)).

II. Regarding the dispatch of AOKI, junior secretary (jimukan), to North China and Manchukuo.

We sent AOKI, junior secretary in charge of business relating to opium, to North China, Manchukuo and Korea at the beginning of February for about a month for the purpose of inquiring into some means of disposing of the confiscated opium and narcotics in Tientsin, and also to study the present condition of narcotic administration in North China and Manchukuo for the purpose of obtaining an insight into future narcotic and opium policies.

The secretary visited Shanghai in the beginning of March in order to inspect the demand and supply of opium on the spot relative to disposing of the question of importation of Iranian opium and to make arrangements with the Embassy and the Army Special Service.

III. Re the Disposal of the Confiscated Opium and Narcotics in Tientsin.

Regarding the confiscated opium and narcotics in the custody of the General-Consulate in Tientsin, it was decided that they be sold to the General Monopoly Department of Manchukuo to be used for treatment of opium-addicts in that country during Secretary AOKI's tour in North China. A memorandum was drawn up, in accordance with which the above were delivered in Mukden on March 11, Showa 13 (Kante 5) 1938.

IV. The Far Eastern Problem during the 23rd Session of the Opium Advisory Committee.

Discussions on the so-called "Far Eastern Problem" regarding opium and narcotics during the meeting of this Advisory Committee were after all centered on Japan's responsibility of supervision in China, and the representatives of the various countries, as usual, rose one after another to abuse Japan and the Japanese forces for the deteriorated conditions in the areas under Japanese domination. Our representative, AMAU, explained to them our fundamental policy and the measures we have taken to control opium and narcotics, and disclosed the true state of things. He endeavored to convince them that the opium and narcotic problem in China lacked clarity due to the situation itself in China, and that it was a mistake to charge us with the responsibility. The representatives of the United States, Egypt, Great Britain, Canada, Belgium, etc., continued to adhere to the prejudiced view that Japan lacked sincerity and effort, and commented severely upon the responsibility of our country. Many heated controversies took place.

V. The Question Regarding the Preparatory Committee for the Restriction of the Production of Raw Materials for the Manufacture of Narcotics.

With regard to the question of restricting the production of raw materials, all members of the Committee supported the argument that future treaties on this matter should be universal. Our representative, AMAU, took every opportunity to draw attention to the fact that Manchukuo could not be disregarded because she was one of the chief consumers and importers of opium. As discussions on the question of raw materials went on, the committee undeniably became gradually aware that they must take Manchukuo into consideration. Even from the standpoint of restriction of production of raw materials alone, the position of Japan, which has close relations with the greater part of China, to say nothing of Manchukuo and North China, took on more and more importance, and the committee as a whole became convinced that without the efforts of Japan it would be next to impossible to settle

the question of restricting the production of raw materials. Though nobody can predict for certain whether a treaty will be concluded on this matter, all the countries are in agreement with the aims of this conference. Moreover, as the League and the Opium Advisory Committee are to take the leadership and continue to strive towards bringing about a treaty, it is likely that the question will gradually materialize and lead to the conclusion of a treaty. Our country should agree to the aims of restricting the production of raw material for the manufacture of narcotics and approve the conclusion of a treaty. Therefore, it is without doubt necessary for us, though we took a negative attitude in the Preparatory Committee, to fix our fundamental policy on this matter and be ready for any possible situations in the future, regardless of whether or not we shall participate in the international collaboration with the League as the pivot in the field of opium and narcotics.

VI. Problems of Controlling the Imports of Iranian Opium.

Since November, Showa 10 (1935), an agent of the Mitsubishi Trading Co., Ltd., in Teheran had been negotiating with the Iranian Cotton Cloth Import Monopoly Company (which is in reality an institution of the Iranian Government) to conclude a contract for importing Japanese cotton cloth in exchange for exports of Iranian opium. On August 1st, Showa 11 (1936), they had reached an understanding that the Mitsubishi would export 1,000 cases of Iranian opium (£113,900), in exchange for which the Cotton Cloth Monopoly Company would buy £170,000 worth of Japanese cotton cloth (about one and a half times as much opium). However, the opium would be exported before Feb. 20th, Showa 12 (1937) while the cotton cloth would be imported before May 31st of the same year. The two parties had made a contract and had signed it.

(Notes: As to the import right in exchange for exports which is the essential point in opium trade, the ratio was 1 to 15 in Showa 11 (1936), and was reduced to 1 to 3 in Showa 12 (1937), but was further reduced to 1 to 1 in Showa 13 (1938) as a result of competition between the two companies. At every opportunity the Iranian side took an attitude to deny Japan the right to import in exchange for their exports, as mentioned below.)

Now, the above contract had expired at the end of February, Showa 12 (1937). Because of various circumstances, the Mitsubishi Company had been delaying the renewal of the

contract. Prior to this, the Mitsui Bussan, which had also established an agency in Teheran like the Mitsubishi, had made a successful bid for opium to be supplied to Dairen, after having made some kind of a secret understanding with the Opium Company, and had proposed an interim contract to the Opium Company. To this, the Opium Company did not comply for the reason that while it was under a special contract with Mitsubishi, there was a stipulation that it could not conclude a contract with any other company even if it is to come into force after the expiration of the special contract. On the other hand, however, the Opium Company had grasped the situation between Mitsui and Mitsubishi, and had informed them that it would raise the price of opium to be exported to Japan, and would sell it by competitive bids, and that the right to import cotton cloth in exchange for the exports would not be acknowledged.

If in the future the two firms were left to free competition, such being allowed between them, the Iranian side will detect their intentions and will take advantage of them, and this will consequently hinder the normal development of our commercial interests in Iran. Therefore, ASADA, Charge d'Affaires in Iran, had mediated between the agents of the Mitsui and Mitsubishi and made them conclude an agreement on March 6th, Showa 12 (1937). According to this agreement, Mitsui would abandon the contract with the Opium Company for the fiscal year of Showa 12 (1937), would acknowledge the monopolistic position of Mitsubishi for a year to come, after which period a new conference will be held. The Legation announced that it would not allow Mitsubishi to conclude contracts for its monopoly rights with the Opium Company by taking advantage of its position for the said one year.

The above Mitsui-Mitsubishi agreement had made a compromise for the situation up to March 6th, Showa 13 (1938), but later there was a difference of opinion between the two firms in the interpretation of the clauses of the agreement. The Mitsubishi skillfully dodged, saying it had no obligation but to concede to negotiations after the said period and took a firm attitude to maintain the continuance of its complete monopoly for the reason that it had been the pioneer in Iranian opium trade and because of a provision of "preference" with the Opium Company, while Mitsui strongly insisted on free competition after the said period. Such being the case, the two would certainly have strenuous competition between them after March 6th, Showa 13 (1938). As a result, they would be easily and freely manipulated by the opium company. It seemed to be a matter of vital importance to make the head offices of the Mitsui and Mitsubishi conclude a concrete agreement.

In March, Showa 13 (1938), the Mitsui tried to make a bargain with the Opium Company for transactions after June, but was refused any transactions until Dec. 27th, Showa 13 (1938), because of the monopoly contract already concluded with Mitsubishi. Therefore, Mitsui strongly demanded that the monopoly contract concluded by Mitsubishi in violation of the agreement dated March 6th, Showa 12 (1937), be ordered to be abandoned. On the other hand, according to information from Mitsubishi, Mitsui had shipped on the Singapore Maru 978 cases of opium to Taiku (550 to Macao; 428 to Central China) from Bushire. As mentioned above, Mitsubishi had concluded a monopoly contract in disregard of the strict order from our Legation, and Mitsui while rebuking Mitsubishi for the monopoly contract, had exported opium outside of the above contract. Thus, it is needless to say, both firms would accomplish their purposes by hook or crook, while on the other hand, there was involved the problem of their prestige as great firms in the world of business. Neither would yield in the export of Iranian opium, and thus was commenced a furious battle of trade.

With the situation left to shift as mentioned above, there would be no question about the loss in trade interest, and it would be a matter of regret from the point of maintaining Japan's dignity in world trade. We had been persuading the two companies to come to a compromise to buy Iranian opium through a single agent from a broad standpoint of Japan-Iran trade and our relations with the U.S.S.R. Then in October Mitsubishi had informed us that it was negotiating a contract to buy 3,000 cases to be exported to Manchukuo (over a two-year period). Following this, Mitsui also had informed us that it was negotiating to buy 2,000 cases for Central China. Mediation was attempted by introducing a tentative plan to facilitate cooperation between the two firms. According to this plan, the two companies would negotiate on a single combined basis in buying opium to be exported to Japan, Manchukuo and China; the amount of opium to be bought for export to the above three countries for the year Showa 14 (1939) would be confined, for the present, to 4,000 cases (both firms having equal shares, or, Mitsubishi would export to Japan and Manchukuo while Mitsui to China), and if it is necessary for them to buy more than the above quantity, they would have equal shares. Mitsubishi, however, refusing to include in the agreement the opium bought for Manchukuo, had signed a contract on the spot in December. For this reason we could not prevent Mitsui exporting to Japan and China, and so Mitsui also signed a contract (the ratio of the import right being 1 to 1). Our mediation, in this way, had ended in a temporary failure. As the two contracts involved no monopolistic rights, there was

room left for future negotiations between the two companies. Our policy remaining unchanged, we tried to force an agreement between the two companies by further tightening our relations with the military authorities and by obtaining the cooperation of the Finance Ministry and the Commerce and Industry Ministry. (On March 14, Showa 14 (1939), the two companies reached an agreement on this matter, and it was decided that Mitsubishi would export to Japan and Manchukuo while Mitsui would export to Central and South China, and that both would export to North China on the same basis.)

VII. Regarding the Disposal of the Cocaine Stored by the Formosan Pharmaceutical Company.

The amount of cocaine manufactured by the Formosan Pharmaceutical Company since Showa 7 (1932) had far surpassed the amount actually consumed. Recently, as it could not be sold as expected, the total stock of hydrochloric cocaine and unrefined cocaine amounting to over 2,500 kg. remained. On Dec. 7th, Showa 13 (1938), the Board of Managers of the Opium Committee, thinking it improper, in view of the various circumstances, to continue this condition, had decided to establish a plan to use up the stock in the next three years by consumption in Formosa, by shipment to Japan Proper and other countries, and by supplying the proper demands in Manchukuo and China. It was also decided to limit the amount of manufacture of the Formosan Pharmaceutical Company to such an extent as will be required to carry out the above plan. This plan was submitted to the Opium Committee for deliberation on Dec. 12th of the same year and was approved by it.

VIII. Regarding the Expansion of Acreage for Poppy Growing in Korea.

According to the decision of the Cabinet on Apr. 11th, Showa 8 (1933), the raw opium in the custody of the Government-General of Korea was allowed to be transferred to the Government of Manchukuo as a temporary measure. Hereafter raw opium produced in Korea may be transferred to the Government of Manchukuo for the sake of cooperation with its monopoly system according to the above decision of the Cabinet, besides being supplied as materials for the opium monopolies of the Government-General of Formosa and the Kwantung Bureau. Accordingly, it was submitted to the Opium Committee for deliberation on Dec. 12, Showa 13 (1938), that the quantities of raw opium to be supplied or transferred to the Government-General of Formosa, the Kwantung Leased territory and the Government of Manchukuo, and the acreage for poppy-growing necessary to produce the required quantities of opium should be decided upon after consultation by the authorities concerned. It was passed by

the Committee on the same day, and it was decided upon by the Cabinet on Dec. 23rd of the same year.

There will be an increase of 2,000 chobu (4,900 acres) in the acreage for poppy growing during the fiscal year of Showa 14 (1939), and the total acreage for poppy-growing in the same year is expected to amount to about 7,000 chobu (17,150 acres).

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Exhibit 3849532
P.
Mukden, October 27, 1937.

"MANCHOUKUO OPIUM MONOPOLY ADMINISTRATION"
ITS ORGANIZATION, ACTIVITIES
AND OPIUM CONDITION IN "MANCHOUKUO" IN 1937

In spite of much talked about anti-opium and anti-narcotic "purge" in "Manchoukuo" there are not many changes in the organization and activities of the "MANCHOUKUO OPIUM MONOPOLY ADMINISTRATION." THE ONLY NOTICEABLE CHANGE IS THE ENLARGEMENT OF ITS ACTIVITIES AND IN THE INCREASE OF ITS INCOME DURING 1937.

It is my considered opinion that any new laws, destined to "purge" the country of the opium and narcotic habits, which have been published by Premier Chang Ching-hui of "Manchoukuo" are merely a "blind" dictated by circumstances which will be explained below.

So far (up to the beginning of October 1937) the "MANCHOUKUO OPIUM MONOPOLY ADMINISTRATION" still exists as it was created in 1932-1933 but on a more extensive structure. As you remember, prior to dividing the country into provinces, there were only FIVE district offices of the "Manchoukuo Opium Monopoly Administration" but since dividing the country, first into 14 provinces and later (in 1937) into 16 provinces, the "MOMA" opened district offices in all provinces (see map "D").

At present "MOMA" is working on a well established administrative system and therefore its work may be more easily studied and watched than previously.

Besides the "MOMA" provincial and district offices there have been established a laboratory in Harbin, narcotic factories in Mukden and Chengteh and 5 infirmaries for care of opium and narcotic addicts situated at Hsinking, Mukden, Tsitsikar, Kirin and Chengteh (see map "D"). The laboratory and factories were established by order of the "Manchoukuo" Government issued on October 25, 1933 while the infirmaries were established by the Government order issued on January 15, 1935.

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NO PERMISSION HAS EVER BEEN GIVEN, EITHER BY THE GOVERNMENT OR BY "MOMA", TO OPEN ANY PRIVATE FACTORIES FOR THE MANUFACTURE OF NARCOTICS. Moreover, "MOMA" and its offices throughout the country take good care that no such private factories are opened in the territory of "Manchoukuo" as their existence would result in loss of revenue to the Government and the "MOMA", and would also affect the incomes of various private concerns and individuals who have licenses from "MOMA."

HOWEVER, PRIVATE FACTORIES AND THE MANUFACTURE OF NARCOTICS EXISTED IN "MANCHOUKUO" UP TO JULY OF 1937 MOSTLY IN THE JAPANESE CONCESSION IN MUKDEN AND ON THE KWANTUNG LEASED TERRITORY WHERE SUCH ESTABLISHMENTS "OPERATED" UNDER THE PROTECTION OF THE LOCAL JAPANESE POLICE AND GENDARMERIE OFFICIALS. ~~(For example Dr. Makiyama, a long resident of Mukden and the owner of a pharmacy and the laboratory at 40 Namikawa-dori, maintained a factory for many years which turned out about 10 to 15 kilos daily). Many other small factories (now closed) existed which were owned and operated by Japanese and Koreans, sometimes with Chinese capital.~~

"MOMA" requested the "Manchoukuo" Government and the Kwantung Army many times to close these "illegal" factories but up to July 1937 all these factories continued to exist.

Using the "noise" started by the League of Nations when it openly placed the responsibility for the manufacture of "illegal" narcotics in the Far East on the Japanese and "Manchoukuo" Governments, "MOMA" at last succeeded in its importunities to the Government and new laws were approved by the Privy Council of "Manchoukuo" on July 19 and formally promulgated by the Government of "Manchoukuo" on July 22, 1937.

According to these NEW LAWS, which consist of 32 articles, THE MANUFACTURE, sale, importation and exportation of various narcotics are strictly forbidden WITHOUT PERMISSION FROM GOVERNMENT OF "MANCHOUKUO." Those guilty of violation of these new laws are punishable by imprisonment for not more than SEVEN years, or by fines not exceeding 7,000 yen (kuobi).

THE NEW LAWS SPECIFY THAT "PERSONS WISHING TO MANUFACTURE, IMPORT, OR EXPORT NARCOTICS MUST OBTAIN GOVERNMENTAL LICENSE." These laws also prohibit the use of narcotics by the general public and the sale of narcotics is not allowed except in the following FOUR cases:

1. In cases when the manufacture, import and EXPORT of narcotics are licensed by the Authorities.
2. When physicians, dentists or veterinaries consider that the use of narcotics is necessary.
3. When the buyer of narcotics is a practicing physician, dentist or veterinary.
4. When the narcotics are to be used for scientific purposes.

Thus it will be seen that these NEW LAWS were issued mainly to assist the "Manchoukuo Opium Monopoly Administration" in a control of the use of narcotics and not AS A DRIVE AGAINST THE OPIUM AND NARCOTIC HABITS as was claimed by "Manchoukuo" Premier Chang Ching-hui in his official declaration published in Hsinking on August 11, 1937.

However, the NEW LAWS were effective in that several private factories in Mukden and Harbin as well as later in Dairen and vicinity WERE CLOSED BY THE AUTHORITIES AND their Japanese and Korean owners fined. So that as far as I know THERE ARE NO PRIVATE FACTORIES TO BE FOUND AT PRESENT EITHER IN "MANCHOUKUO" OR IN THE KWANTUNG LEASED TERRITORY.

IT IS A VERY WELL KNOWN FACT, HOWEVER, THAT WHEN THE AUTHORITIES CLOSED THE SAID PRIVATE FACTORIES, IT WAS SEMI-OFFICIALLY "HINTED" TO THE OWNERS THEREOF THAT THEY COULD START THEIR "WORK" ANEW IN NORTH CHINA AND CHAHAR AS SOON AS THE MILITARY AND POLITICAL SITUATIONS IN THOSE REGIONS WERE STABILIZED. I HOPE TO SUBMIT TO YOU A DETAILED REPORT ON THE NEW FACTORIES WHICH ARE OPENING NOW IN NORTH CHINA AND INNER MONGOLIA as I have already received information that many of the Japanese and Koreans, formerly operating factories in "Manchoukuo" and Dairen, had migrated to these sections for the purpose of continuing their "business."

The latest reports indicate that up to the present the "Manchoukuo" Opium Monopoly Administration has issued about 2000 licenses for the retail sale of opium.

The New Laws, as you probably have noticed, are directed mainly against the manufacture and the use of NARCOTICS. It was found that some Japanese became addicts and that while it was comparatively easy to control opium addicts who require paraphernalia for smoking, it was almost impossible to detect narcotic addicts, such as heroin smokers, who only needed a cigarette which leaves no narcotic odor.

Thus the NEW LAWS also help Japanese Authorities in their struggle with Japanese addicts. It is reported that in spite of severe punishment and deportation to Japan-proper there has been noticed a considerable increase of such addicts.

Referring to the cultivation and use of opium, the NEW LAWS brought no new restrictions but only gave more power to the "Manchoukuo Opium Monopoly Administration" and as you will see from the attached detailed reports and maps the cultivation and the use of opium has increased. The increase of opium cultivation in "Manchoukuo" is also explained by the fact that in the spring of 1937 there was great demand for crude opium in North China by the numerous narcotic factories which were opened there under Japanese protection.

At present only the Harbin "laboratory" and Mukden Government narcotic factories are manufacturing narcotics which include morphine, ester, morphine-ester, cocaine, etc. While it is unknown to me just what quantity of narcotics is manufactured by the Harbin "laboratory", I have definite information that the Mukden factory of "MOMA" is manufacturing from 75 to 100 kilograms daily, PART OF WHICH, OF COURSE, IS DESTINED FOR EXPORT TO EUROPE AND THE U.S.A.

"MOMA's" factory in Chengteh (Jehol) is at present manufacturing only "base" for which there is a large demand in North China and Chahar. It is reported that during the second part of August and first part of September about 200,000 kilograms of "base" were brought to Tientsin by Japanese Military Transport units and that such "transportation" was to be increased in October 1937.

Regarding the structure of the "Manchoukuo Opium Monopoly Administration" (see scheme "D") the following is the present setup:

- 1 - Central office in Hsinking
- 16 - Provincial offices in all the provincial capitals
- 77 - District offices (will be increased to 110 before the end of 1937)
- 2 - Narcotic factories (Mukden and Chengteh)
- 1 - Chemical laboratory (Harbin)
- 5 - Infirmaries (Hsinking, Kirin, Tsitsikar, Mukden and Chengteh)

(It must be noted, however, that districts under opium cultivation in East Hopeh are not subordinated to "Manchoukuo Opium Monopoly" and are controlled by General Chu Tsung-mo, the present leader of East Hopeh Autonomous Regime.)

(The same must be said about Chahar, where such cultivation is controlled by "Private Opium Company" organized by Prince Teh-wan and his followers, with assistance of some Japanese and a capital of \$2,000,000.)

On the following 12 pages I am submitting to you a detailed report regarding the cultivation of "poppy" in "Manchoukuo" in 1937.

You will see that the crop was very good and I have definite information that by the end of July or beginning of August about 1,800,000 pounds were collected in the various provinces of "Manchoukuo" and brought to a Central Store in Hsinking. About 1,000,000 pounds were left in the provincial offices for "local" use, i.e. for sale to retailers licensed by the "Manchoukuo Opium Monopoly."

In this detailed report you will find that cultivation of "poppy" in "Manchoukuo" increased 30 - 35% and the cost of the opium collected increased by about 50%.

Although the average figure of the pounds collected from one hectare dropped from 40 lbs. in 1936 to 36.5 lbs. in 1937, a good crop and the fact that there were 30,000 hectares more under "poppy" than in 1936, accounts for the big increase in 1937.

Mukden, October 26, 1937.

GENERAL REPORT ON OPIUM CULTIVATION IN VARIOUS PROVINCES OF "MANCHUKUO"
(IN 1937)
GIVING GENERAL FIGURES

(See Maps "A" and "B" and Scheme "C")

| No. | Name of Province | No. of districts under "poppy" | No. of hectares under "poppy" | No. of lbs. of opium collected | Cost of opium collected in 1937 (kuobi) | Average No. of lbs. collected per hectare |
|-------|------------------|--------------------------------|-------------------------------|--------------------------------|---|---|
| 1 | Jehol | 12 (all) | 29,480 | 1,197,440 | 42,850,080 | 40 |
| 2 | Hsingan-West | 7 " | 6,520 | 268,485 | 9,665,460 | 41 |
| 3 | Hsingan-South | 4 " | 3,340 | 148,575 | 5,348,460 | 39 |
| 4 | Fengtien | 9 | 950 | 30,940 | 1,113,840 | 33 |
| 5 | Antung | 2 | 170 | 5,710 | 205,560 | 33 |
| 6 | Tunghwa | 6 " | 1,645 | 57,410 | 2,066,580 | 34 |
| 7 | Kirin | 10 | 1,180 | 39,965 | 1,438,020 | 34 |
| 8 | Lungkiang | 13 | 3,110 | 96,495 | 3,473,860 | 30 |
| 9 | Chientao | 4 | 3,270 | 129,360 | 4,656,960 | 40 |
| 10 | Mitankiang | 5 | 7,105 | 277,085 | 10,015,060 | 37 |
| 11 | Pingkiang | 13 | 2,200 | 81,545 | 2,735,580 | 37 |
| 12 | Sangkiang | 6 | 12,155 | 462,935 | 16,665,740 | 39 |
| Total | | 91 | 71,625 | 2,795,945 | 100,235,200 | 36.5 |

Thus out of sixteen provinces in "Manchoukuo" opium was cultivated during 1937 in the above twelve provinces and no opium was cultivated in the four provinces of Heiho, Chinchow, Hsingan-East and Hsingan-North.

Please note that opium collected in "Manchoukuo" in 1937 shows an increase of 30-35% compared with the year 1936. This is explained partly by a good crop but mainly by the enormous requirement (in the past spring) of crude opium in North China where Japanese operated many factories for the manufacture of narcotics causing the increase of acreage under "poppy" in the neighboring provinces of Jehol and Hsingan-West.

It must be noted also that opium cultivation has been noticed in the districts of Chahar and East Hopeh along the Great Wall (see comparative map "B"), but it was impossible for me to get proper figures owing to the movements of Japanese troops in those districts after the commencement of the Sino-Japanese conflict in North China.

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Mukden, October 25, 1937.

DETAILED REPORT ON THE OPIUM CULTIVATION (IN 1937) IN THE PROVINCE OF
J E H O L

~~See Scheme "C"~~

| Name of District | No. of hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of col- lected opium (approx. and average price 36 kuobi per lb. | No. of lbs. collected per hectare (average) |
|------------------|--|---|---|--|
| Chifeng | 3,390 | 132,210 | 4,769,560 | 39 |
| Chienping | 2,670 | 109,470 | 3,940,920 | 41 |
| Weichang | 4,020 | 180,900 | 6,512,400 | 45 |
| Lunghua | 1,800 | 68,400 | 2,462,400 | 38 |
| Lingyuan | 2,450 | 100,450 | 3,646,200 | 41 |
| Ningcheng | 1,270 | 49,530 | 1,783,080 | 39 |
| Lingnan | 2,190 | 89,700 | 3,232,440 | 41 |
| Pingchuan | 3,320 | 126,160 | 4,540,760 | 38 |
| Chengte | 3,750 | 150,000 | 5,000,000 | 40 |
| Luanping | 920 | 41,400 | 1,490,400 | 45 |
| Fengning | 3,080 | 126,280 | 4,546,080 | 41 |
| Chinglung | 620 | 22,940 | 925,840 | 37 |
| Total | 29,480 | 1,197,440 | 42,850,080 | 40 |

~~NOTE: On the attached scheme "C" all districts (hsiens) shown under letters A, B, C, D. The number of hectares under "poppy" shown in black figures, while the number of pounds of opium collected is shown in red figures.~~

Thus you can see that Jehol Province, just as it was last year, is the province in which the largest number of hectares were cultivated under "poppy" and where greater quantity of opium has been collected in 1937. It can also be seen that the crop in 1937 is triple the 1936 crop. which is mainly explained by the fact that Jehol is the nearest province to North China where narcotic factories in Tientsin, Peking and East Hopeh districts required more raw opium than before.

As you see, all 12 districts (hsiens) of Jehol were under "poppy" in 1937.

Mukden, October 25, 1937.

DETAILED REPORT ON THE OPIUM CULTIVATION (IN 1937) IN THE PROVINCE OF
HSINGAN - WEST

~~(See Scheme "C")~~

| <u>Name of District</u> | <u>No. of hectares under "poppy" in 1937</u> | <u>No. of lbs. collected this year (1937)</u> | <u>Cost of col- lected opium (approx. and average price 36 kuobi per lb.</u> | <u>No. of lbs. collected per hectare (average)</u> |
|-------------------------|--|---|--|--|
| Lupai | 640 | 26,240 | 944,640 | 41 |
| Tienshan | 790 | 33,180 | 1,194,480 | 42 |
| Kailu | 720 | 29,520 | 1,062,720 | 41 |
| Tapanshan | 990 | 38,610 | 1,389,960 | 39 |
| Lintung | 1,010 | 41,410 | 1,490,760 | 41 |
| Linsi | 945 | 42,525 | 1,530,900 | 45 |
| Kingpeng | 1,425 | 57,000 | 2,052,000 | 40 |
| Total | 6,520 | 268,485 | 9,665,460 | 41 |

~~NOTE: On the attached scheme "C" all districts (hsiens) shown under letters A, B, C, D. The number of hectares under "poppy" shown in the black figures, while the number of pounds of opium collected is shown in red figures.~~

The province of Hsingan-West differs from the other provinces of "Manchoukuo in that during the passing (1937) year it produced the highest average number of pounds of opium collected from one hectare. Its average figure is 41 pounds per hectare while in other provinces the average figures are much lower and in some provinces as low as 33 pounds or even 30 pounds per hectare.

The crop collected in 1937 is double that of 1936 which is explained by the fact that more was required by contiguous North China provinces.

As in 1936 all 7 districts (hsiens) of Hsingan-West were under "poppy" cultivation.

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Mukden, October 25, 1937.

DETAILED REPORT ON THE OPIUM CULTIVATION (IN 1937) IN THE PROVINCE OF
HSINGAN - SOUTH

~~(See Scheme "C")~~

| Name of District | No. of hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of col- lected opium (approx. and average price 36 Kuoibi per lb. | No. of lbs. collected per hectare (average) |
|------------------|--|---|--|--|
| WANGMIAO | 980 | 36,260 | 1,305,360 | 37 |
| TEPAISSU | 810 | 31,590 | 1,137,240 | 39 |
| HALACHIERIA | 775 | 31,000 | 1,116,000 | 40 |
| TUNGILIAO | 1,275 | 49,725 | 1,790,100 | 39 |
| Total | 3,840 | 148,575 | 5,348,700 | 39 |

~~NOTE: On the attached scheme "C" all districts (hsiens) are shown under letters A, B, C, D. The number of hectares under "poppy" are shown in black figures, while the number of pounds of opium collected is shown in red figures.~~

All four districts (hsiens) were under "poppy" in 1937, just as in 1936.

Mukden, October 25, 1937.

DETAILED REPORT ON THE OPIUM CULTIVATED (IN 1937) IN THE PROVINCE OF
FENG TIEN

~~(See Scheme "C")~~

| Name of District | No. of hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of collected opium (approx. and average price 36 kuobi per lb.) | No. of lbs. collected per hectare (average) |
|------------------|---------------------------------------|--|--|---|
| Tungfeng | 95 | 3,135 | 112,860 | 33 |
| Hailung | 85 | 2,975 | 107,100 | 35 |
| Fushun | 50 | 1,850 | 66,600 | 37 |
| Tiehling | 80 | 2,640 | 95,040 | 33 |
| Faku | 120 | 3,720 | 133,920 | 31 |
| Mengkiang | 195 | 6,435 | 231,660 | 33 |
| Huinan | 140 | 4,340 | 156,240 | 31 |
| Sian | 110 | 3,520 | 126,720 | 32 |
| Sifeng | 75 | 2,325 | 83,700 | 31 |
| Total | 950 | 30,940 | 1,113,840 | 33 |

~~NOTE: On the attached scheme "C" all districts (hsiens) are shown under letters A, B, C, D. The number of hectares under "poppy" are shown in black figures, while the number of pounds of opium collected is shown in red figures.~~

Out of 28 districts of Fengtien province only 9 districts (same as in 1936) were under poppy cultivation during this year (1937). But there are only 950 hectares under "poppy" this year while there were 1235 hectares in 1936 thus making the site under "poppy" approximately 25% less than it was in 1936. The crop collected is also less by 22 to 25% (30,940 lbs. in 1937 compared with 41,005 lbs. in 1936). The average number of pounds collected is also very low being only 33 pounds per hectare which may be explained mainly by climatic conditions.

Please note that cultivation of "poppy" this year was done mainly in northern part of Fengtien province as in the southern part, on the borders of Antung and Tungghwa Provinces, no "poppy" was cultivated on account of activities of many "hunhutze" (bandits) and Chinese volunteers bands in those sections.

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Mukden, October 25, 1937.

DETAILED REPORT ON THE OPIUM CULTIVATED (IN 1937) IN THE PROVINCES OF
ANTUNG and TUNGHWA

~~(See Scheme "G")~~

| Name of District | No. of hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of collected opium (approx. and average price 36 kuobi per lb. | No. of lbs. collected per hectare (average) |
|------------------------|---------------------------------------|--|---|---|
| <u>ANTUNG PROVINCE</u> | | | | |
| Kuantien | 110 | 3,850 | 138,600 | 35 |
| Fengcheng | 60 | 1,860 | 66,960 | 31 |
| Total | 170 | 5,710 | 205,560 | 33 |

| | | | | |
|-------------------------|-------|--------|-----------|----|
| <u>TUNGHWA PROVINCE</u> | | | | |
| Tungghwa | 225 | 7,865 | 282,960 | 35 |
| Chian | 160 | 5,280 | 190,080 | 33 |
| Huanjen | 125 | 3,875 | 139,500 | 31 |
| Chanpai | 435 | 15,660 | 563,760 | 36 |
| Fusung | 390 | 13,260 | 477,360 | 34 |
| Linkiang | 310 | 11,470 | 412,920 | 37 |
| Total | 1,645 | 57,410 | 2,066,580 | 34 |

~~NOTE: On the attached scheme "G" all districts (insians) are shown under letters A, B, C, D. The number of hectares under "poppy" are shown in black figures, while the number of pounds of opium collected is shown in red figures.~~

As I reported previously the Province of Antung has been recently divided into two provinces, viz, Antung (five districts) and Tungghwa (six districts).

In the province of Antung only two of the five districts were under "poppy" this year while all six districts of Tungghwa province were under such cultivation.

Generally there is not much difference in the area under "poppy" and production thereof between this year (1937) and last year (1936).

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Mukden, October 25, 1937.

DETAILED REPORT ON THE OPIUM CULTIVATED (IN 1937) IN THE PROVINCE OF
KIRIN

~~(See Scheme "C")~~

| Name of District | No. of hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of collected opium (approx. and average price 36 kuobi per lb.) | No. of lbs. collected per hectare (average) |
|------------------|---------------------------------------|--|--|---|
| Emu | 185 | 6,475 | 233,100 | 35 |
| Tunhua | 160 | 5,920 | 213,120 | 37 |
| Huatien | 200 | 6,800 | 244,800 | 34 |
| Penshih | 110 | 3,630 | 130,680 | 33 |
| Kirin | 75 | 2,550 | 91,800 | 34 |
| Chenan | 60 | 2,100 | 75,600 | 35 |
| Fuyu | 85 | 2,635 | 94,860 | 31 |
| Yushu | 95 | 2,915 | 104,940 | 33 |
| Hsulan | 100 | 3,400 | 122,400 | 34 |
| Tehui | 110 | 3,540 | 126,720 | 32 |
| Total | 1,180 | 39,965 | 1,438,020 | 34 |

~~NOTE. On the attached scheme "C" all districts (heicns) are shown under letters A, B, C, D. The number of hectares under "poppy" are shown in black figures, while the number of pounds of opium collected is shown in red figures.~~

In 1937 10 of the 16 districts belonging to Kirin Province were under "poppy" cultivation.

During 1936 "poppy" was cultivated in only 8 districts. The two districts added are Kirin and Hsulan which, however, are not in the region originally allotted by Manchoukuo Opium Monopoly Administration for the cultivation of opium. It is explained by the fact that control during this year was not so strict as in 1935-1936.

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Mukden, October 25, 1937.

DETAILED REPORT ON THE OPIUM CULTIVATED (IN 1937) IN THE PROVINCE OF
LUNGKIANG

~~(See Scheme "C")~~

| Name of District | No. of hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of collected opium (approx. and average price 36 kuobi per lb.) | No. of lbs. collected per hectare (average) |
|------------------|---------------------------------------|--|--|---|
| Fiyu | 185 | 5,365 | 193,140 | 29 |
| Kannan | 155 | 4,805 | 172,980 | 31 |
| Mingshui | 150 | 4,050 | 145,800 | 27 |
| Chinghsien | 135 | 4,060 | 146,200 | 30 |
| Tailai | 195 | 5,655 | 203,580 | 29 |
| Talai | 220 | 6,820 | 245,520 | 31 |
| Chintung | 255 | 8,415 | 302,940 | 33 |
| Ankwang | 245 | 7,840 | 282,240 | 32 |
| Kaitung | 300 | 8,700 | 313,200 | 29 |
| Chayu | 295 | 9,735 | 350,460 | 33 |
| Taonan | 305 | 9,760 | 351,360 | 32 |
| Taoan | 310 | 10,850 | 390,600 | 35 |
| Tuchuan | 360 | 10,440 | 375,840 | 29 |
| Total | 3,110 | 96,495 | 3,473,860 | 30 |

~~NOTE: On the attached scheme "C" all districts (cities) are shown under the letters A, B, C, D. The number of hectares under "poppy" is shown in black figures, while the number of pounds of opium collected is shown in red figures.~~

As you see, there were 13 districts of Lungkiang Province under "poppy" cultivation in 1937 out of the total number of 25.

Last year (1936) there were 15 districts under cultivation but this year cultivation of opium was not permitted in two northern districts on account of "hunhutze" (bandits) and partisan bands.

Just as in 1936, this year Lungkiang Province produced the smallest crop of opium - average number of pounds per hectare being 30 pounds while last year it was 32 pounds.

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Mukden, October 25, 1937.

DETAILED REPORT ON THE OPIUM CULTIVATED (IN 1937) IN THE PROVINCE OF
CHIENTAO

~~(See scheme "G")~~

| Name of District | No. of hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of collected opium (approx. and average price 36 kuobi per lb.†) | No. of lbs. collected per hectare (average) |
|------------------|---------------------------------------|--|---|---|
| Wangching | 945 | 36,855 | 1,326,780 | 39 |
| Yenchi | 625 | 24,375 | 877,500 | 39 |
| Holung | 915 | 37,515 | 1,350,540 | 41 |
| Antu | 785 | 30,615 | 1,102,140 | 39 |
| Total | 3,270 | 129,360 | 4,656,960 | 40 |

~~NOTE: All districts (hoiens) on the attached scheme "G" are shown by letters A, B, C, D. The number of hectares under "poppy" is shown in black figures while the number of pounds of opium collected is shown in red figures.~~

This year (1937) out of the five districts comprising Chientao Province only four were under "poppy" cultivation. The fifth district - Hunchun - is situated along the Soviet border. Japanese forces were erecting fortifications there and no "poppy" cultivation was allowed by the Japanese officers in charge of fortification works.

Chientao Province produced this year (1937) a very good crop of opium. Average figures being 40 pounds per hectare. Last year (1936) this average figures was even better, being 41 pounds per hectare.

Mukden, October 25, 1937.

DETAILED REPORT ON THE OPIUM CULTIVATED (IN 1937) IN THE PROVINCE OF
MUTANKIANG

~~(See Scheme "G")~~

| Name of District | No. of hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of collected opium (approx. and average price 36 kuobi per lb.) | No. of lbs. collected per hectare (average) |
|------------------|---------------------------------------|--|--|---|
| Wuchang | 1,000 | 37,000 | 1,332,000 | 37 |
| Chuho | 720 | 28,080 | 1,050,880 | 39 |
| Weiho | 2,950 | 106,200 | 3,823,200 | 36 |
| Ningan | 1,275 | 44,625 | 1,606,500 | 35 |
| Muling | 1,160 | 61,180 | 2,202,480 | 38 |
| Total | 7,105 | 277,085 | 10,015,060 | 37 |

~~NOTE. On the attached scheme "G" all districts (haisans) are shown by the letter A, B, C, D. The number of hectares under "poppy" is shown in black figures, while the number of pounds of opium collected is shown in red figures.~~

As it was previously reported, the Province of Mutankiang was created in "Manchoukuo" only this year (1937) by cutting 8 Eastern districts from the Province of Pingkiang.

Out of the said 8 districts only the 5 above mentioned districts were under "poppy" cultivation this year (1937). In the three remaining provinces which are situated along the Soviet border no "poppy" cultivation was allowed as Japanese Military engineers were busy there constructing various fortifications. Besides, in Muling district "poppy" cultivation was permitted only in its western part which is some distance from the Soviet border.

Mukden, October 25, 1937.

DETAILED REPORT ON OPIUM CULTIVATED (IN 1937) IN THE PROVINCE OF
PINGKIANG

~~(See Scheme "C")~~

| Name of District | No. of hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of collected opium (approx. and average price 36 kuobi per lb.) | No. of lbs. collected per hectare (average) |
|--------------------|---------------------------------------|--|--|---|
| Pingkiang (Harbin) | 145 | 5,365 | 193,140 | 37 |
| Suihua | 85 | 2,975 | 107,100 | 35 |
| Suilin | 55 | 1,815 | 65,300 | 33 |
| Payen | 355 | 12,780 | 260,080 | 36 |
| Pin | 70 | 2,660 | 95,760 | 38 |
| Tiehli | 45 | 1,755 | 63,180 | 39 |
| Mulan | 470 | 16,920 | 609,120 | 36 |
| Pinhsien | 445 | 16,465 | 592,740 | 37 |
| Suangcheng | 220 | 9,240 | 332,640 | 42 |
| Wangkuei | 60 | 2,160 | 77,760 | 36 |
| Anta | 95 | 3,325 | 119,700 | 35 |
| Lansi | 75 | 2,925 | 105,300 | 39 |
| Chaotung | 80 | 3,160 | 113,760 | 37 |
| Total | 2,200 | 81,545 | 2,735,580 | 37 |

~~NOTE. On the attached scheme "C" all districts (keiens) are shown under the letters A, B, C, D. The number of hectares under "poppy" is shown in black figures while the number of pounds of opium collected is shown in red figures.~~

Out of eighteen districts of the province of Pingkiang the thirteen above mentioned districts were under "poppy" cultivation.

In the remaining five districts attempts were made to cultivate opium this year but it was ruined by raids by "hunhutze" (bandits) and "volunteer" soldiers, which were numerous in those districts this year (1937).

Mukden, October 25, 1937.

DETAILED REPORT ON THE OPIUM CULTIVATED (IN 1937) IN THE PROVINCE OF
SANGKIANG

~~(See Scheme "C")~~

| Name of District | No. of Hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of collected opium (approx. and average price 36 kuobi per lb.) | No. of lbs. collected per hectare (average) |
|------------------|---------------------------------------|--|--|---|
| Tungcho | 950 | 39,900 | 1,436,480 | 42 |
| Tangyuan | 1,825 | 73,000 | 2,628,000 | 40 |
| Fancheng | 2,555 | 94,535 | 3,403,260 | 37 |
| Ilan | 2,175 | 78,300 | 2,818,800 | 36 |
| Huachuan | 2,575 | 100,425 | 3,615,300 | 39 |
| Fuchin | 2,075 | 76,775 | 2,763,900 | 37 |
| Total | 12,155 | 462,935 | 16,665,740 | 39 |

~~NOTE: On the attached scheme "C" all districts (keiens) are shown by the letter A, B, C, D. The number of hectares under "poppy" are shown by black figures, while the number of pounds of opium collected are shown by red figures.~~

In 1936 all 14 districts of Sangkiang Province were under "poppy" cultivation. This year, however, cultivation of "poppy" has been permitted only in the above mentioned 6 districts. This is explained by the fact, which can be clearly seen in the attached comparative maps "A" and "B" as well as in the attached scheme "C", that the other eight districts are situated along the Soviet border where many Japanese troops were stationed and where military fortifications were under construction by Japanese military engineers. Besides in some districts of the said province there were many anti-Japanese partisan parties (volunteers) which troubled the Japanese Administration, so the dangerous places were declared out of the "poppy" cultivation plan.

However, in spite of the above mentioned drawbacks the province of Sangkiang is in second place this year (1937) (Jehol is the first) in quantity of opium collected which is easily explained by climatic conditions as the said province is situated along the rich Sungary and Ussuri River valleys.

Office Report for 1939 of the Third Section of
the Treaty Bureau, Foreign Ministry.

The Internal Opium Problem.

Chapter V, Sec. 3.

1. The Opium Production Increase Program in Chosen.
The Opium Production in Chosen for 1939 was as follows:

With the increase of the acreage by 2,000 Chobu (4,900 acres), the cultivation of poppies in 1939 was extended to 7,060 Chobu (17,297 acres) from which 78,366 kilograms of raw opium was derived and disposed of as follows:

| <u>Distribution</u> | <u>Quantity</u> |
|---------------------------|-----------------|
| Manchukuo | 68,000 kilogr. |
| Kwantung Leased Territory | 13,000 " |
| Taiwan (Formosa) | 5,000 " |
| Total | 80,000 " |

Furthermore, in order to meet the increasing demand for opium in excess of its production in Chosen, Manchukuo, Kwantung Leased Territory, and Formosa, and in accordance with the cabinet's decision of December 12, 1938, the Opium Management Board on November 9, 1939 passed a resolution approving an additional 5,000 chobu (12,250 acres) increase of poppies cultivation in Chosen for 1940. This increase, plus the previous year's 7,060 chobu raised the total acreage under cultivation to 12,060 chobu (29,547 acres).

2. Question of Purchasing Iranian Opium.

(A) State of Iranian Opium Purchases.

The following is the state of Iranian opium purchases for 1939. (72 kilogram to a case, at officially fixed price of 125 pounds).

Handled by Mitsubishi Trading Company.

| | | |
|---|-----------|-------|
| Imported by the Kwantung Leased Territory | 200 cases | |
| Imported by Manchukuo | 2,800 " | 3,000 |

Handled by Mitsui Bussan Kaisha

| | |
|---|---------|
| Imported by the Restoration Government of China | * 1,150 |
|---|---------|

*Note (850 cases out of the expected 2,000 cases could not be obtained)

| | |
|-------------------|--------------|
| Grand total | 4,150 cases. |
| (850 cases short) | |

Remarks:

Besides the foregoing, the Monopoly Bureau of Taiwan, through Iwai and Company, Ltd. imported 35 cases of Iranian Opium from Hamburg.

(B) Agreement on Iranian Opium Purchases between the Mitsubishi Trading Co. and the Mitsui Bussan Kaisha.

On the purchase of Iranian opium for the three countries of Japan, Manchukuo and China, the representatives of the two companies concluded on March 14, 1938, through the good offices of the Foreign Ministry the following agreement in respect to the places of importation and their respective shares of business:

- (a) The purchase of Iranian opium for Japan, Manchukuo and China shall be negotiated jointly as a single unit by the two companies;
- (b) The distribution for Japan and Manchukuo shall be handled by Mitsubishi and that for Central and South China by Mitsui. The distribution for North China shall be shared equally by the two companies.
- (c) The government offices of Japan, Manchuria and China concerned shall decide upon and inform the two companies the amount of purchases for 1940, after ascertaining the actual opium collections in Chosen and Manchukuo in September of this year.
- (d) This agreement shall be valid for the deliveries to be made during the two years of 1940 and 1941. For 1942 and thereafter a new agreement shall be concluded on the basis of the actual results of the aforementioned two years.

Later, at the request of the Asia Development Board, and in order to further promote the smooth operation of the agreement, the Foreign Ministry urged the conclusion of a compromise agreement according to the following points, as a result of which an agreement for the establishment of the Iranian Opium Purchasing Association was concluded between the two firms on October 30 of the same year:

1. In regard to the purchase of Iranian opium by Japan, Manchukuo and China, the governments of the three countries concerned shall so arrange as to permit its monopolistic purchase by the association organized by the Mitsui Bussan Kaisha and Mitsubishi Trading Co.
2. The opium business handled by the said association shall be equally divided between the two firms.
3. The organization, purchases, transportation, deliveries, and the method of calculating the profits of the said association shall be agreed between the two firms.
4. The amount of purchases shall be decided each year and notified to the Association by the government officials of Japan, Manchuria and China concerned, after ascertaining the actual amount of opium collected in Chosen and Manchukuo and the demand and supply in China.

3. The draft of the Revised Ordinance for the Control of Opium Narcotics in China.

The activities in opium of the Japanese people in China have been heretofore controlled by the Foreign Ministry Ordinance No. 11 of 1936, entitled "Ordinance for the Control of Narcotics in China", but recently, following the great increase in the number of Japanese penetrating into the continent, the evil habit of smoking opium has greatly spread among the Japanese. At the same time there is apprehension that illegal transactions will become rampant. Accordingly recognizing the necessity of strengthening the thorough control, we are now making preparations for the revision of the present ministerial ordinance into an Imperial ordinance.

Section 4 (~~"Business Report for 1939"~~)

The Opium Control System in China.

The National Government issued its Laws for the Prohibition of Smoking in 18th year of the Republic (1929), (issued on and effective as from 25 July, 1929; revised issue effective from 16 March, 22nd year of the Republic (1933)), and since then, from the point of opium control, has adopted a policy of complete prohibition. But in the areas occupied by Japanese troops since the outbreak of this Incident, the smoking of opium has been recognized on certain conditions in accordance with individual local circumstances, although a policy of complete prohibition of narcotics generally has been universally enforced. In some districts, however, measures of control have been established and put into force, while elsewhere provisional laws based on the Prohibition Laws of the National Government mentioned above have been enforced. There is no unified system of control working yet.

(1) North China

(a) The Temporary Government has had discussions at Peiping on 28 April 1939 with the North China Liaison Section of the Asia Development Board on the drafts of both the Law for the Prohibition of Smoking and the Regulations for its enforcement in North China, with a view to a uniform system of opium control in North China. But they have not yet come into effect.

(b) At Tsingtao, the use of opium had hitherto been controlled by the Tax Office's Detailed Regulations for the Prohibition of Smoking, though the old special market district of Tsingtao had been placed in an anomalous position as an area of strict Prohibition by its own special circumstances. In July 1934 the Investigation Committee for the Prohibition of Smoking in Tsingtao Special City was established as a control organization and on August 1 of the same year the provisional regulations for the investigation of the Prohibition of Smoking were enforced.

(c) In Chinan the Provisional Regulations of the Druggists' Trade Association Union of Chinan City were issued on January 26, 1939, and on the same day the Trade association was established.

(d) In Tientsin the Provisional Rules of the Control Office for restricting the circulation of drugs has been in operation since January 1938, in accordance with the Provisional Rules of Tientsin Tax Collecting Office for the Investigation for the Prohibition of Smoking.

(2) Mongolia

The United Committee of Mongolia issued the Provisional Laws of Opium Control on 1 July, of the 28th year of the Republic (1939), whereby the General Investigation Office (at Changchakou) and the Investigation Office (at Tatung and Holo) have been collecting opium through the agency of the Mongolia Drug Company, Ltd., and selling it at a regular rate of profit.

(3) Central China.

The Restoration Government issued the Provisional Rules for the Prevention of Smoking on 30 April of the 28th year of the Republic (1939), which it made effective from the 1st of June. It has adopted the system of registering its addicts and allowing only such addicts to smoke opium. As a central organization for opium control, the General office for the Prevention of Smoking was established in Shanghai, with local offices at Nanking, Suchow, Hangchow, Wuhu, Hangchow, and Pengpu. In each of these places rules for control were enacted on the lines of the Provisional Regulations mentioned above, but in accordance with the special conditions of the place in question. The government let the opium dealers organize the Central Public Welfare Hall in Shanghai and local Public Welfare Halls in all the towns that had offices for the Prohibition of Smoking, and thus gave them control over the opium traffic.

(4) Hankow.

In the Special City of Wuhan, the Provisional Laws for the Prevention of Smoking in Wuhan were issued in April of the 28th year of the Republic (1939), whereby the Special City Government office for the Prohibition of Smoking has taken charge of controlling opium. The City Government, which thus enjoys a monopoly in the opium trade, has adopted the same system of registering its addicts as in Central China, and allowing only registered persons to smoke it.

(5) South China.

In South China there is so far no definite system for opium. It has been taken charge of by the Committee for the Preservation of Public Peace and Order and the Special City Government.

(a) At Amoy, at the end of 1938, opium was under the control of the Committee for the Preservation of Public Peace and Order, on the lines of the system in Central China, but on 1 July, 1939, this function was handed over to the Special City Government.

(b) In Canton, too, control of opium had been the charge of the Committee for the Preservation of Public Peace and Order since the 2nd of December, 1938, but this function was handed over to the Special City Government on 20 November, 1939.

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DEPARTMENT OF STATE
WASHINGTON

March 12, 1938

In reply refer to
FE 893.114 N 16 Manchuria/272

CONFIDENTIAL

Attention: Customs Agency Service

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and, referring to this Department's letter of December 30, 1937, encloses herewith, in duplicate, for the confidential information of the Treasury Department, a copy of despatch No. 71, dated January 27, 1938, from the American Consulate General at Mukden, concerning the policy of the "Manchukuo Government" in regard to the suppression of the use of narcotic drugs.

Attention is invited to the budget figures for 1938 representing an anticipated increase in consumption of opium.

Enclosure:

From Consulate General, Mukden,
No. 71, January 27, 1938, in duplicate.

Am. Cons. Mukden ✓

11 *SP*

The Foreign Service
of the
United States of America

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71

American Consulate General,
Mukden, Manchuria,
January 27, 1938.

"Manchukuo" Opium Policy.

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to refer to recent despatches concerning "Manchukuo's" reformed opium and narcotics policy.* It will be recalled that this office hesitated to state whether the new policy represented honest intent on the part of the Government to reduce, if not eradicate, the drug evil or whether it was merely a pious rationalization of tighter Government control over the opium and narcotics revenue.

Study of the 1938 budget**, Monopolies Special Account, goes a long way towards dissipating uncertainty as to the Government's motive for instituting a so-called reform of its opium policy. The following statistical comparisons taken from the preceding and current budgets are revealing:

| | 1937 | 1938 |
|-----------------------|------------|------------|
| Purchase of raw opium | 29,085,000 | 32,663,000 |
| Sale of opium | 47,850,000 | 71,045,200 |

* Despatches Nos. 59, 65, and 69 to the Department, dated September 27, 1937, November 6, 1937, and November 29, 1937, respectively.

** A despatch on the budget is under preparation.

The

- 2 -

The price of raw opium has not risen, that of processed opium has risen slightly.* The above figures, therefore, represent an anticipated increase in consumption, irreconcilable with the Government's announced intention to curb the use of the drug. ~~The Manchurian Government's expressions of solicitude for the welfare of the people steadily being debased by the drug traffic are familiar unconvincing fraud.~~

Respectfully yours,

John Davies, Jr.
American Vice Consul

In quintuplicate to the Department.
Copy to the Embassy, Peiping.
Copy to the Embassy, Hankow.
Copy to the Embassy, Tokyo.
Copy to the Consulate General, Harbin.
Copy to the Consulate, Dairen.
Copy to the Treasury Attache, Shanghai.

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*Due largely, it is rumored, to a shortage arising out of the capture in November or December by insurgents of 27 trucks transporting Government opium. The difference between the purchase and sale prices above does not represent Government profit. Processing and distributing costs are unknown.

386

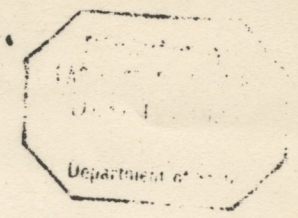
9558_{P1}

[Communicated to the Council
and the Members of the League.]

Official No. : **C. 315. M. 211.** 1937. XI.

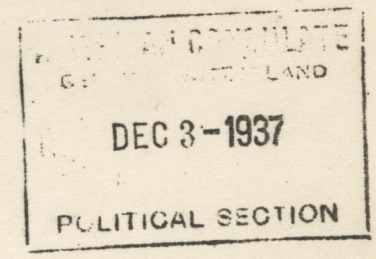
Geneva, July 23rd, 1937.

LEAGUE OF NATIONS



ADVISORY COMMITTEE ON TRAFFIC
IN OPIUM AND OTHER DANGEROUS DRUGS

MINUTES
OF THE



TWENTY-SECOND SESSION

Held at Geneva from May 24th to June 12th, 1937.

Series of League of Nations Publications
**XI. OPIUM AND OTHER
DANGEROUS DRUGS
1937. XI. 6.**

Such is the evidence of a person well qualified to express an opinion on what is happening in China. There is no need to explain the significance of the last phrase referring to extra territorial privileges, which seriously hamper the Chinese Government's action in the matter of drugs. The Committee is aware that smuggling in the East, especially of manufactured drugs, practised by certain foreign nationals who are only too well known to the Committee, is paralysing all the efforts of the Chinese Government. Until that situation is changed, China cannot be freed from the drug scourge. The position from this point of view has undergone no change since the last session of the Committee; it has not improved, in spite of the resolution adopted by the Committee in 1936 to which M. Renborg has referred. It can be said without exaggeration that the situation has become worse, and that its world repercussions are becoming increasingly apparent. The statements made in the Egyptian report for 1936 on the world sources of white drugs leave no doubt on the subject. In my view, the Committee will not be doing its duty if it does not give all the attention it deserves to this aspect of the problem, which, as I see it, may be regarded as the key to the whole drug problem.

The CHAIRMAN thanked the representative of China for his statement and congratulated the Chinese Government on its energetic measures. The Advisory Committee would certainly wish to take an appropriate decision in the matter. It was satisfactory to learn that the capital penalty applied mainly to traffickers and that it was rarely enforced in the case of addicts.

M. FULLER (United States of America) made the following statement :

Before undertaking to speak of the situation in China to-day, I wish to say a word or two of appreciation for the Chinese annual report for 1935, which has been in the hands of the Committee for some time past. Fault may be found with this report, on the grounds of incompleteness and of inaccuracy, but this is true of a great many of the other annual reports which are received from Governments. In contrast to previous Chinese reports, the one for 1935 contains a great deal of definite, concrete information—enough to show the nature of the efforts which the Chinese National Government was, in the year under review, devoting to the campaign against the drug evil. And I am informed that a supplementary report will be submitted in respect of 1935 to fill certain gaps in the report already received. I think that the members of the Committee will agree with me that the Chinese annual report for 1935 is unquestionably the best which the Chinese Government has yet presented.

Turning now to the situation in China as it was in 1936 and as it is to-day; China being far and away the largest single producer of raw opium in the world, it would seem logical to consider first : developments in respect of the production of raw opium; second : the situation in respect of illicit imports; third : the situation in respect of illicit export : and lastly : developments in respect of illicit manufacture.

As to the production of raw opium, the information which we have received in my country indicates that, in the provinces of China where there is no Japanese influence, a sincere effort has been made to reduce the production of raw opium and that this effort has met with surprising success. The Committee will recall that, in China south of the Great Wall, the principal producing provinces have for years been Yunnan, Szechuan and Kweichow. It will recall that, for years past, the production of Yunnan has been estimated at 4,500 tons per annum, that of Szechuan at a similar figure and that of Kweichow as usually around 400 tons.

I am happy to say that the information which has reached me indicates that in the three provinces referred to (and they represent most of the production south of the Great Wall), the restrictive measures enforced by the Chinese Government are now commencing to have a noticeable effect. The production for the crop year 1936/37 is estimated to have been reduced in Yunnan by about 50 % and in Szechuan by about the same proportion, till it now rests at about a half of the usual output.

When we come, however, to the provinces under Japanese control or influence, we find a very different state of affairs. In the three north-eastern provinces—that is to say, Manchuria—we find that the area designated by the regime now functioning in that region for lawful opium-poppy cultivation in 1937 was 156,061 acres, as compared to 133,333 acres in 1936, an increase of 17 %; and that unlawful cultivation had reached a point such that the regime referred to found it necessary, on February 6th, 1937, to issue a public warning to unlicensed cultivators. The anticipated gross revenue from Government opium sales in Manchuria in 1937 is estimated at a figure over 28 % greater than the gross revenue realised in 1936. As interest in the welfare of the people seems inconsistent with a policy of selling them more opium, one is necessarily led to see in this drive against illicit poppy growing nothing more than an effort to destroy business competition.

Last year¹ I said to the Committee : "Where Japanese influence advances in the Far East, what goes with it? Drug traffic". This continues to be the case.

The developments of the past year in the province of Chahar afford a striking illustration. When the military forces of the regime now functioning in Manchuria and Jehol occupied northern

¹ See Minutes of the Twenty-first Session of the Committee, page 66.

" The said Li K'ang Opium Wholesaler is located at No. 10, Hsi Tsung Pu Hut'ung, East City, Peiping, and its telephone number is 1593 East Office. The goods will be sent to you upon receipt of your order by telephone. It will do no harm if all my comrades of the same appetite should make a trial, so as to know that I am telling no lie.

" Respectfully yours,

" A Person of the Same Taste."

I am handing over to the Secretariat a photostatic copy of one of these circulars.

Information in the hands of the American authorities fully confirms the evidence of the Chinese seizure reports and the statements made to the Sub-Committee on Illicit Traffic by the Chinese representative to the effect that illicit traffic in manufactured drugs is rapidly extending down the railways from Hopei Province toward the Yangse River, due to the energetic work of Japanese and Korean pedlars.

Last year, I characterised the situation in Manchuria and Jehol, where, as we were informed by the Japanese representative, there is no legislation to control manufacture of, or trade in, opium derivatives, as "terrifying". According to information received, the condition in that area is now almost beyond belief. This is the one region in the world where the governing authority not only makes no effort to prevent the abuse of narcotic drugs but actually profits by the rapid increase of narcotic addiction.

The degradation of the population of Manchuria through increasing use of opium and its derivatives has actually come to a pass where even Japanese newspapers published in that area have been moved to protest.

Late in January 1937, there was held in Hsingking, the seat of the central government in Manchuria (formerly known as Changchun), a conference of provincial governors.

After the statements made at that conference of governors, M. T. Kikuchi, the Japanese editor of the *Sheng Ching Shih Pao* (South Manchuria Railway owned Chinese language daily of Mukden), openly criticised the Governments' narcotics policy. He charged that (1) the licensed opium retailing system has not checked the spreading use of that drug, (2) large numbers of young people have taken to narcotics, (3) it is inconsistent for the Government to advocate the improvement of public health and yet permit the population to be poisoned by narcotics, (4) opium and its derivatives are a blot on "Manchukuo's" honour. With the permission of the Committee, I will read translations of three courageous articles from M. Kikuchi's newspaper.

[*Sheng Ching Shih Pao*, Mukden, Manchuria, January 24th, 1937.]

" *Second Day Conference of Provincial Governors of Manchukuo.*

" The Conference of Manchukuo provincial governors was opened on January 22nd, 1937. The second day conference started at 10 a.m.

" On the second day, questions and answers were freely raised and made by the governors and bureau directors of the Central Government departments . . . Public health, colonisation and civil engineering matters were discussed. Both the provincial governors and the bureau directors were unanimous in their opinion that the people's health should be improved and that opium can make Manchukuo perish. They further expressed a hope that the Government will make proper disposal of such matters as a re-examination of the opium policy, evils of opium retail houses, prevention of young people from becoming addicted to narcotics and an expansion of national hospitals."

* * *

[Editorial in *Sheng Ching Shih Pao*, January 27th, 1937.]

" *Opium Retailing and Health Preservation.*

" The danger of opium is known by everyone. There has long been talk of racial and national perdition through opium-smoking. After the establishment of Manchukuo, the Government adopted the licensed opium-house system to prohibit opium-smoking gradually, as it was feared that opium addicts of long standing could not stop smoking immediately. Simultaneously, opium addict sanatoria were established in various places for curing the habit and restoring normal health.

" From the time the opium retail system was established, we have written editorials to serve as warnings. Contrary to expectations, after several years of the enforcement of the opium-retail system, none of the opium addicts has stopped smoking and, in addition, a large number of young people have become opium-smokers. It is, therefore, to the point that at the governors' conference there was expressed a desire to re-examine the licensed opium-house question, in order that the people's health may be preserved.

" In recent years, the Government has paid careful attention to the health of the people and has endeavoured to improve it. Yet the adoption of the licensed opium-house system and the freedom allowed the people to smoke opium as they please in licensed opium-houses affects their health far more than unsanitary conditions. Opium, together with heroin and morphia, causes many deaths (in Manchuria).

It may be said that, since there are opium addict sanatoria already established for the treatment of the public, the Government can do nothing more if the people themselves take to narcotics like the moths flying into a flame. We feel, however, that, if a proper procedure is required for the purchase of opium and that if the number of licensed opium-houses is decreased, it may be possible to reduce the number of opium-smokers. It is, after all, a shame for any civilised country to permit the open sale of narcotics. In extenuation, it may be said that our country adopted the licensed opium-retail system only as a temporary measure, it having been decided to reduce annually the opium cultivation areas. It would seem practicable to designate a limited number of years for addicts to break off the habit, if not out of public health considerations, at least, in order to adhere to the original aim of reduced consumption.

The provincial governors this time are of the same opinion as we in regard to the re-examination of the opium question. That is, the people must universally be healthy. Then the country and its race can develop sturdily. The present curious form of health preservation leaves a blot. Moreover, the logic of discussing public health and yet allowing the people to be poisoned seems to be inconsistent. The present conditions may be a plan to get rid of the weak and keep the good. It is, nevertheless, a disgraceful reflection on the people that they should continue to take poison like candy, in spite of the existence of opium-addict sanatoria and public-health organisations. Once orders are issued by the Government, none of the addicts will dare disobey them. If opium-smoking is to be controlled only when the situation develops to its worst, then it will be too late.

It is sometimes said that since opium-addicts cannot return to normal health, it would be better to let them live or die as they like. We ask, what harm can there be in strictly prohibiting them to smoke opium? Those who die due to Government prohibition are a minority. And by such prohibition, the addiction of young people to the drug may be checked. This will naturally greatly preserve the health of the people.

Some say that opium is a rich source of Government revenue. If it is suddenly cut off, the Government cannot make up the loss. We maintain that the land of Manchukuo is wide and fertile and that the cultivation of other crops to take the place of opium would compensate for the loss.

Why leave this shame, making possible the existence in this country of unhealthy people? We have suggested to the governors' conference a re-examination of the opium-retail question, and although we have not yet heard of the results, it is felt that the Central Government authorities will, for the health of the people, take the matter into deep consideration and make proper disposal of it."

• • •

[Sheng Ching Shih Pao, Mukden, Manchuria, February 18th, 1937.]

"Number of Deaths in Mukden during January due to Narcotics Poisoning.

The number of deaths in the Mukden municipality during January due to narcotics poisoning has been investigated by the Public Health Section of the Shenyang Police Bureau and is as follows :

| | Morphia | | Heroin | | Opium | | Total |
|-------------------------------------|---------|-------|--------|-------|-------|-------|-------|
| | Men | Women | Men | Women | Men | Women | |
| Reported by : | | | | | | | |
| City Police Office | 5 | 1 | — | — | — | — | 6 |
| East suburb Police Office | 7 | — | 1 | 1 | — | — | 9 |
| North suburb Police Office | 1 | — | 2 | — | — | — | 3 |
| South market Police Office | 44 | 4 | 27 | 2 | — | — | 77 |
| North market Police Office | 59 | — | 10 | — | 1 | — | 70 |
| Police Office West of railway | 6 | — | — | — | — | — | 6 |
| Total... | 122 | 5 | 40 | 3 | 1 | — | 171 |

This ends, for the time being, my quotations from the Sheng Ching Shih Pao.

Press reports have stated that, in 1935, in the principal cities of Manchuria, nearly 6,000 persons died of narcotic addiction without any provision for their internment. As bearing on this subject, I quote below the statement of an eye-witness who was in Mukden in October 1936 :

"Adjacent to a rag-pickers' market about a reeking open sewer are some fifty or more hovels inhabited by the lowest type of prostitutes who, in addition to their regular occupation, also openly dispense narcotics. The setting was loathsome to a degree. Demonstrating with

peculiar force the relation of cause to effect, there lay on an ash heap just behind the narcotic brothels seven naked corpses which had evidently been stripped of their rags by fellow addicts. It is generally stated that this is a daily sight, despite regular removal of the bodies by the Red Swastika Society. There was offered no other explanation than that these dead met their end through narcotics poisoning."

The ash heaps of Mukden and Harbin have become so notorious that M. Kikuchi was moved to write the following editorial, which I quote in translation :

[Sheng Ching Shih Pao, Mukden, Manchuria, February 18th, 1937.]

"Many Dead on Kung Fu Shih Ash Heap.

"Everyone knows the danger of morphia. There are many people who die from its poison each year. It is lamentable to say that these people, in becoming addicted to morphia, are digging their own graves. The ash heap at Kung Fu Shih, outside of the large west city gate, is the morphia centre of Mukden. It is general knowledge that almost daily drug-addicts die there.

"It is now learned that at the foot of the ash heap there were found dead during the several days after the Lunar New Year thirteen young men of about twenty years of age. Their hair was dishevelled and their faces dirty. They could be recognised at a glance as morphia-addicts. Their upper garments and trousers were stripped from their bodies. Some of them were lying on the ground with their faces turned upward; some with their faces covered; and some were lying in the gutters. It was a pitiable sight. On the morning of the 16th instant, these dead bodies were still lying at that place.

"It is deeply hoped that the Municipal Government and philanthropic organisations will, at an early date, dress these corpses for burial, so as to show regard for humanity and to improve the appearance of the city."

What has the Government which holds or should hold itself responsible for the welfare of the people of Manchuria done about this? In the conference of provincial governors, no remedial measures are reported to have been advocated. The Government's opium programme, for 1937 envisages a 25 % increase in sales over 1936. No intention has been exhibited to check the brazen traffic in morphine and heroin. Mr. Chairman, I put it to you that this is a sad but most illuminating example of the results of greed, of large-scale poisoning of one's fellow-man for gain and an example of total disregard of the obligations which any Government, *de facto* or *de jure*, which hopes to enjoy respect, confidence or recognition, has toward other Governments of the world.

Many of those present will recall an occasion, not so very long ago, when in this Committee an *exposé* was made of illicit manufacture which had suddenly sprung up in an alarming manner in a certain country—an occasion when one of our oldest and most respected colleagues said : "This cancer on the face of Europe must be extirpated". It was. Now we have another cancer, this time on the face of Asia. It remains to be seen whether those responsible for the ash heaps of Harbin and Mukden, Tongshan, Tientsin and Peiping will do anything about it before they are overtaken by a retribution which all their ill-gotten gains cannot avert.

The CHAIRMAN thanked Mr. Fuller for his detailed statement.

The continuation of the discussion was adjourned to the next meeting.

1203. Invitation to the Committee from Senator Justin Godard, of the World Narcotic Defence Association, to attend a Lecture on June 7th, 1937.

M. RENBORG, Secretariat, read a letter addressed to the Director of the Opium Section by Senator Justin Godard, Chairman of the Comité de Patronage of the World Narcotic Defence Association, inviting members of the Advisory Committee to be present at a lecture which he was giving on June 7th, under the auspices of the Association, on opium and narcotics in the French possessions in the Far East.

The CHAIRMAN thought that the Committee would be happy to accept the invitation and to attend the lecture.

The Chairman's proposal was adopted.

THIRTEENTH MEETING (PUBLIC).

Held on Wednesday, June 2nd, 1937, at 3.30 p.m.

Chairman : Dr. CHODZKO (Poland).

1204. Examination of the Situation in the Far East (continuation) (Documents O.C.1682, O.C.1564 (b), (c) and (d)).

M. CARNOY (Belgium) said that Mr. Fuller, in his statement, had been right to insist that the key to the whole problem of China was the relationship between the occupying Powers and the Chinese inhabitants.

A distinction should be made, however, between "Manchukuo" and the other territories. "Manchukuo" had already been dealt with in Mr. Fuller's statement. M. Carnoy would like to ask the Japanese representative for some particulars regarding the position in Tientsin. An alarmist picture of the situation in that province was drawn in a pamphlet which had been communicated by the Chinese representative. Other reports had also emphasised the regrettable nature of the situation.

Japan had given many assurances of her good faith in the struggle against the evil of narcotic drugs and had already obtained valuable results in that campaign. Japan could not, and should not be accused of lacking good faith. Nevertheless, M. Carnoy would like to ask the Japanese representative how it came about that a country which took so active an interest in putting down the evil of narcotic drugs could not manage to put an end to the deplorable situation in a territory controlled by its own troops. M. Yokoyama had said that public opinion should be educated up to the problem, which was obviously desirable. He had also referred to the efforts being made by Japan to increase the severity of sentences passed on offenders; it would seem that this was the principal weak point in the Japanese campaign against the illicit traffic.

RUSSELL Pasha (Egypt) made the following statement :

We have all heard Mr. Fuller's full and authenticated statement on the state of affairs existing in the Japanese controlled territories north of the Great Wall and in some parts of China proper.

I do not know what impression it has made on members of this Committee who have heard it for the first time. If the result is scepticism or a self-satisfying hope that things are not really as bad as they are painted, all I can tell them is that I, too, have got full and ample reports by eye-witnesses which amply confirm what Mr. Fuller and others have said.

As heroin manufacture and sale constitute apparently a perfectly open and authorised trade in Manchuria and Jehol, it is possible for any intelligent traveller to judge of the enormous proportions at which this trade has now arrived, to see with his own eyes the ghastly effects that it is producing on the population and the menace that it is to the rest of the civilised world.

Without attempting to give you a complete account of the narcotic industry and conditions in Manchuria and Jehol, I will quote you some sentences from reports received :

"In the city of Harbin, there are to-day not less than 300 heroin dens without counting those in the city of Foochiatien, which is practically part of Harbin.

"These dens are visited daily by about 50,000 addicts of Chinese, Russian and Japanese nationality.

"Besides these heroin dens, there are in Harbin and Foochiatien 102 authorised opium-saloons which also sell heroin. The number of clients of these dens is about 20 Europeans and 300 Chinese for each den daily.

"Practically one-quarter of the one million inhabitants of these two cities are addicts.

"During the last two years, there have been in Harbin many Japanese addicts, especially among the soldiers and officers of the Japanese army.

"During the very severe Harbin winters, many addicts die in the street : their corpses are left for days in the streets, as nobody bothers to take them away; even the dogs sometimes will not eat them.

"The supply of drugs is not manufactured in Harbin itself. It comes entirely from the Japanese Concession in Mukden and from Dairen. It is from Dairen that thousands of letters containing drugs are posted to the United States, Egypt and elsewhere.

"The Podol district of Foochiatien is full of heroin dens; there must certainly be a thousand, all for the poorest class of the population; near to the district is a bazaar where second-hand and stolen goods are sold in exchange for heroin. . . . In this district, corpses of addicts are found daily; other addicts are paid ten yen to take away a corpse and bury it. . . . No formalities.

"Peasants arrive daily at Foochiatien to sell their farm produce; they are paid in heroin, and addiction is rife among them; they are pawning their horses, their cattle and even their houses for heroin, till they become completely beggared and their lands are taken over by the opium Monopoly."

These quotations could be continued indefinitely. As you will see from them, conditions in these parts are staggering to the mind of any man who has a sense of decency and pity towards his fellow-men.

The evil is, however, so general and spread over such enormous territories that it is difficult for us, living our comfortable lives, to concentrate our thoughts and actually visualise what these things mean.

Mr Fuller has described, and other eye-witnesses have written, accounts of conditions in the Japanese concession of Tientsin; one such eye-witness has described the situation to me as follows :

"The Japanese Concession in Tientsin is now known as the nerve centre of heroin manufacture and addiction of the world. The number of opium and heroin dens which go under the names of Yang Hang or foreign firms, number well over a thousand, in addition, there are hundreds of hotels, shops and other establishments where white drugs are openly sold.

Not less than 200 heroin factories are scattered over the Japanese Concession, which is only about four square miles in size. Over 1,500 Japanese experts and 10,000 Chinese workmen are engaged in the manufacture of heroin. As the business is extremely profitable and the supply of raw material abundant, new factories are starting daily; the factories are working perfectly openly.

"Hashidaté Street is the heart of the heroin belt in China. There are in it more than fifty shops, and heroin can be purchased freely in all of them. The heroin is of excellent quality, without adulteration and cheap, the gramme in retail selling for 1 Chinese dollar, while the wholesale price is 500 Chinese dollars (about £45) the kilogramme."

(Russell Pasha added, for purposes of comparison, that the price of 1 kilogramme of pure heroin in Cairo at the present time would be from £500 to £600.)

"Every night we can see coolies and merchants walking about the streets offering heroin for sale. After the famous Manchuria and Jehol dens and factories, the Japanese Concession in Tientsin has become the heroin centre of China proper and of the world, and it is from here that not only the Chinese race but all other countries of the world are being weakened and debauched.

"To the traffickers, of course, the foreign, and especially the American, trade is the most profitable. Most of the narcotics, intercepted abroad, bear a mark of Chinese origin. The reason for this is simple: Japanese laws do not allow export of drugs to foreign countries from Japan or *via* Japan; it becomes necessary, therefore, to ship the goods to foreign ports *via* Shanghai and in some cases direct from Tientsin.

"I have made a very careful calculation and estimate that 500 kilogrammes or more of heroin are shipped weekly direct from Tientsin. This quantity is divided roughly as follows: 60% direct to the United States, 30% to the United States *via* European countries and ports, and the remaining 10% to other countries, including Egypt.

"We should not be far short of the mark if we said that 90% of all the illicit white drugs of the world are of Japanese origin, manufactured in the Japanese Concession of Tientsin, around Tientsin, in or round Dairen or in other cities of Manchuria, Jehol and China, and this always by Japanese or under Japanese supervision. As for the conditions in the dens of the Japanese Concession, words fail when I attempt to describe the revolting and terrible conditions. The dens are dark, the filth is revolting and the scenes ghastly even to a hardened person like myself; in the brothels adjoining the dens, young girls give filthy exhibitions for the sake of a shot of heroin; Chinese, Russians, foreigners lie about on the dirty wooden boards, as also children of two and three years of age, already idiot drug addicts, with swollen heads and thin transparent bodies.

"In the first room of the dens, Korean women (never themselves addicts) are busy at their tasks mixing the heroin with adulterants. A small dose costs 10 cents, 50 cents for a dose of a better quality or for an injection of morphine. The injections are done with dirty syringes, often home-made; the needles are never washed, disinfected or changed, and syphilis is freely spread by the needles from one addict to another. I have seen addicts with whole parts of their chests just a mass of decomposed and gangrenous flesh, with holes in their bodies that you could put your whole fist into, and it is into these putrefying, barely living corpses that the needles of dope are alternately pushed."

I will quote no more.

Mr. Chairman, these conditions exist to-day. There is no getting away from facts. Can we not somehow stir the consciences of those responsible to wipe out this blot on civilisation?

This morning, my Cairo post informs me that a month ago, not less than fifty heroin factories in the Japanese Concession of Tientsin have moved to Tangshan, some two hours distant by train, and that most of the others are to follow.

Let us hope that this is not merely a change of scene, but that it denotes the intention of the authorities to begin the definite closing-down of these sinks of iniquity and depravity.

Colonel SHARMAN (Canada) made the following statement:

The speech of the representative of the United States of America cannot fail to arouse in our minds feelings of acute disquiet, which indeed are perhaps accentuated in the case of those of us who represent countries which, for years past, have been menaced, not only by the possibility, but by the actuality of the illicit introduction of manufactured drugs into their territories from the Far East.

As I have informed the Committee in previous years, my Government views the narcotic situation in the Far East with alarm, and has been compelled to adopt special, and I may say expensive, measures in an endeavour to cope with the resulting flow of narcotic drugs to our Pacific Coast.

It is obvious, from the careful analysis of the present situation by the United States representative, that there has been no amelioration whatever in so far as the illicit manufacture in,

and traffic from, the Far East is concerned, and it will therefore be necessary for us to continue, and in fact augment, our special defensive measures.

I must confess to being impressed in that regard by the tremendous difference between defensive conditions existing in relation to illicit narcotics moving across the Pacific and elsewhere as compared with those in force in relation to the major contagious diseases, such as cholera or plague, which from time to time threaten the world. Under the International Sanitary Convention of 1926, the most urgent measures are immediately taken to notify all other countries by radio, by cable, by telegraph or by means of a weekly bulletin, when outbreaks of plague, cholera or certain other dangerous and contagious diseases are involved; these steps are rendered possible by the initiative of the country in which the discovery is made and are obligatory under the terms of the Convention to which I have referred. This cabled or radioed advice renders it possible for other countries to concentrate on adequate measures to protect themselves from the specific menace to their populations. In relation to illicit narcotics, however, which it will certainly be agreed is another most dangerous menace, we have here definite knowledge of the existence of a state of affairs, involving illicit manufacture of and traffic in these white drugs of addiction in certain portions of the Far East, which is obviously a matter which vitally concerns the other countries of the world.

I do not suggest that the machinery of the Sanitary Convention can or should be duplicated to cover the existing narcotic situation, but I do suggest that, just as plague is discovered and immediately controlled in the place or places where it breaks out, so could illicit manufacture, in the territories to which reference has to-day been made, be susceptible of discovery and control by those on the spot, in such a manner as would render impossible its continuance as a most dangerous menace to the rest of the world.

M. YOKOYAMA (Japan) said he would make a rapid survey of the facts without going into details. In the first place, as could be seen from document O.C. 1569(1), concerning the application of Chapter IV of the Hague Convention, Japan had reinforced her legislation against illicit traffickers by means of three new ordinances. The first two, applicable in China, provided regulations for the control of the traffic in opium and narcotic drugs; the third provided regulations for the control of the traffic in narcotic drugs by Japanese subjects in "Manchukuo". In the previous year, a treaty had been concluded between "Manchukuo" and Japan providing for the application to Japanese nationals of the laws and regulations in force in "Manchukuo". Those laws and regulations provided for maximum penalties of five years' imprisonment and a fine of 5,000 yen. No further ordinance was necessary. Those penalties were not very severe, but the reason for that was well known to the Committee. All the ordinances to which he had referred were in conformity with the 1931 Convention. In addition, the Japanese Government had asked the consular authorities in China to apply, so far as possible, the severest penalties.

As regards South China, he had already made a statement about the co-operation between Chinese and Japanese authorities in Fukien, which was mentioned in the report of the special Sub-Committee on the application of Chapter IV of the Hague Convention.¹ It was not always easy to bring about that co-operation in China, on account of the great size of the country and the disturbed political situation.

With regard to North China, the Japanese authorities intended, as soon as possible, to ratify the 1936 Convention. Meanwhile, patience was necessary, but M. Yokoyama could assure the Committee that there could be no doubt as to Japan's good faith.

The position in Tientsin had been described. Everyone wished to improve, as quickly as possible, the deplorable state of affairs existing there. In order to do so, however, the cause and not the effect must be attacked. The reason for that situation was chiefly political and geographical. Tientsin was situated between two parts of China with entirely different legislations. In South China, there was a total prohibition of narcotic drugs which did not exist in "Manchukuo". Tientsin was the weak spot in the organism and therefore the most readily attacked by the germ of drug addiction. Malefactors existed in Japan as elsewhere, and when the situation was made too difficult for them in Japan they naturally went elsewhere. The Japanese authorities were doing their best, but patience was necessary.

It had also been alleged that the increase in the illicit traffic in China coincided with the Japanese advance. Such a statement was at least exaggerated, if not wholly inaccurate. If it were true, it might be said that there were other influences than Japanese at work. In some cases, it might be a mere coincidence. The Japanese army went wherever military defence was necessary; national defence naturally took precedence over all other problems. Narcotic drugs were a great danger, but the danger of bombs and machine-guns was greater still. The military authorities devoted as much time as they could to the suppression of the illicit traffic.

M. Yokoyama therefore asked that the somewhat annoying bluntness of the allegations made should be modified.

The solution of the drug problem would come only when peace and tranquillity were restored through better organisation. The situation was deplorable, but could not be immediately remedied.

¹ See Annex 2 to the report of the Committee to the Council on the work of its twenty-second session (document C.285.M.186.1937.XI) (Ser. L.O.N. P.1937.XI.4), page 33.

Referring to "Manchukuo", M. Yokoyama held no brief for the existing system. He could confirm Mr. Fuller's statement about the reaction of public opinion to the defects of the Opium Monopoly in "Manchukuo." Even in Japan there were severe critics of the present-day monopoly, such as Professor Miyajima, who had made a personal tour of "Manchukuo" and had come to the conclusion that the social position could not be improved without radical changes. The difficulty was that the law was not properly applied and that the evil had been deeply rooted for a very long time.

With regard to Chosen, M. Yokoyama had no definite information to offer Mr. Fuller as to the regulations concerning poppy cultivation and the sale of opium, but he would make enquiries and if he found anything contrary to the principles laid down by the Advisory Committee, he would notify the Japanese Government.

He realised that all this was not very satisfactory, but Japan was doing its best in a very difficult situation.

M. Yokoyama had just received a telegram from Tokio stating that the chief of the gang concerned in the Seattle cocaine case of March 1937 had been arrested on May 28th, at Dairen, and that the Japanese authorities hoped to obtain valuable information from him.

M. Yokoyama's feelings on the matter were divided. He had a dual personality: as an idealist he would like to have action taken immediately, even if it necessitated sending sheaves of telegrams to his Government, but as a practical man he realised that the difficulties were so great, the countries so far away, that no formal promise could be made. Japan laid too great store on her national honour to make promises that could not be carried out.

The CHAIRMAN thanked M. Yokoyama for the sincerity of his statement and sympathised with him in his difficult position. He said that the Committee would welcome more detailed reports concerning China. In the 1935 report from Japan, there was nothing of importance about Tientsin. M. Yokoyama had reported an improvement in the situation at Amoy, but this was the first information the Committee had received on the subject.

Dr. DE VASCONCELLOS (Portugal), after expressing his appreciation of the high level of the debate, went on to say that, in order to find the remedy which everyone desired, it would be necessary to go to the extreme limits, as had already been done in China. He was against the death penalty, but considered that in those countries where it existed no-one more richly deserved the application of that penalty than illicit drug traffickers who murdered not merely individuals but the masses.

He paid a tribute to M. Yokoyama's sincerity and suggested that it would be useful to circulate freely the speeches which had been made on the subject under consideration.

Mr. Fuller's survey had drawn attention to the fact that the annual report on Macao for 1934 indicated the export from that colony of raw Iranian opium in huge quantities. Dr. Vasconcellos considered the word "huge" to be grossly exaggerated. In any case, the statement in question only referred to one particular year. In actual fact, all the measures necessary to improve matters had been taken.

Major COLES (United Kingdom) said he would not add to the facts and figures already given, but wished to support what previous speakers had said with regard to the gravity of the peril. He had appreciated M. Yokoyama's explanations and would bring to his notice any information that might reach him on the subject.

Dr. CARRIÈRE (Switzerland) had thought until now that the problems the Committee was discussing at the moment were of little interest to anyone but the Far-Eastern countries. After hearing the statements just made by various members of the Committee, however, he felt bound to say that the situation in the Far East was a grave danger, a menace to the whole world. He had been specially struck by one figure given by Russell Pasha, who had estimated the quantity of heroin despatched weekly from Tientsin to the United States at 500 kilogrammes. Even if that were too high an estimate, the situation was appalling and recalled the worst days of the European illicit traffic. M. Yokoyama recommended patience, and he was right; work of the kind on which the Committee was engaged required patience, and that was too apt to be overlooked perhaps, in some circles. Nevertheless, in circumstances like those just described, it was necessary to take a firm line. No one—he himself least of all—questioned M. Yokoyama's loyalty and good faith and the spirit of conciliation and co-operation he had displayed in the Committee. But, at the same time, Dr. Carrière hoped that, in the present circumstances, the idealistic side of M. Yokoyama's personality would prevail over the practical.

M. BOURGOIS (France) expressed the hope that the publication of the facts laid before the Committee would have an influence on world opinion. The first thing the Committee should do was, in full agreement with Japan and the other countries concerned, to seek, by all possible means, to obtain official confirmation of these facts.

Dr. HOO Chi-tsai (China) expressed his pleasure that the gravity of the question for the whole world was being realised. He especially thanked Mr. Fuller for his appreciation of the efforts

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Mukden, October 27, 1937.

"MANCHOUKUO OPIUM MONOPOLY ADMINISTRATION"
ITS ORGANIZATION, ACTIVITIES
AND OPIUM CONDITION IN "MANCHOUKUO" IN 1937

In spite of much talked about anti-opium and anti-narcotic "purge" in "Manchoukuo" there are not many changes in the organization and activities of the "MANCHOUKUO OPIUM MONOPOLY ADMINISTRATION." THE ONLY NOTICEABLE CHANGE IS THE ENLARGEMENT OF ITS ACTIVITIES AND IN THE INCREASE OF ITS INCOME DURING 1937.

It is my considered opinion that any new laws, destined to "purge" the country of the opium and narcotic habits, which have been published by Premier Chang Ching-hui of "Manchoukuo" are merely a "blind" dictated by circumstances which will be explained below.

So far (up to the beginning of October 1937) the "MANCHOUKUO OPIUM MONOPOLY ADMINISTRATION" still exists as it was created in 1932-1933 but on a more extensive structure. As you remember, prior to dividing the country into provinces, there were only FIVE district offices of the "Manchoukuo Opium Monopoly Administration" but since dividing the country, first into 14 provinces and later (in 1937) into 16 provinces, the "MOMA" opened district offices in all provinces (see map "D").

At present "MOMA" is working on a well established administrative system and therefore its work may be more easily studied and watched than previously.

Besides the "MOMA" provincial and district offices there have been established a laboratory in Harbin, narcotic factories in Mukden and Chengteh and 5 infirmaries for care of opium and narcotic addicts situated at Hsinking, Mukden, Tsitsikar, Kirin and Chengteh (see map "D"). The laboratory and factories were established by order of the "Manchoukuo" Government issued on October 25, 1933 while the infirmaries were established by the Government order issued on January 15, 1935.

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NO PERMISSION HAS EVER BEEN GIVEN, EITHER BY THE GOVERNMENT OR BY "MOMA", TO OPEN ANY PRIVATE FACTORIES FOR THE MANUFACTURE OF NARCOTICS. Moreover, "MOMA" and its offices throughout the country take good care that no such private factories are opened in the territory of "Manchoukuo" as their existence would result in loss of revenue to the Government and the "MOMA", and would also affect the incomes of various private concerns and individuals who have licenses from "MOMA."

HOWEVER, PRIVATE FACTORIES AND THE MANUFACTURE OF NARCOTICS EXISTED IN "MANCHOUKUO" UP TO JULY OF 1937 MOSTLY IN THE JAPANESE CONCESSION IN MUKDEN AND ON THE KWANTUNG LEASED TERRITORY WHERE SUCH ESTABLISHMENTS "OPERATED" UNDER THE PROTECTION OF THE LOCAL JAPANESE POLICE AND GENDARMERIE OFFICIALS. ~~(For example Dr. Mikiyama, a long resident of Mukden and the owner of a pharmacy and the laboratory at 40 Naniwa-dori, maintained a factory for many years which turned out about 10 to 15 kilos daily). Many other small factories (now closed) existed which were owned and operated by Japanese and Koreans, sometimes with Chinese capital.~~

"MOMA" requested the "Manchoukuo" Government and the Kwantung Army many times to close these "illegal" factories but up to July 1937 all these factories continued to exist.

Using the "noise" started by the League of Nations when it openly placed the responsibility for the manufacture of "illegal" narcotics in the Far East on the Japanese and "Manchoukuo" Governments, "MOMA" at last succeeded in its importunities to the Government and new laws were approved by the Privy Council of "Manchoukuo" on July 19 and formally promulgated by the Government of "Manchoukuo" on July 22, 1937.

According to these NEW LAWS, which consist of 32 articles, THE MANUFACTURE, sale, importation and exportation of various narcotics are strictly forbidden WITHOUT PERMISSION FROM GOVERNMENT OF "MANCHOUKUO." Those guilty of violation of these new laws are punishable by imprisonment for not more than SEVEN years, or by fines not exceeding 7,000 yen (kuobi).

THE NEW LAWS SPECIFY THAT "PERSONS WISHING TO MANUFACTURE, IMPORT, OR EXPORT NARCOTICS MUST OBTAIN GOVERNMENTAL LICENSE." These laws also prohibit the use of narcotics by the general public and the sale of narcotics is not allowed except in the following FOUR cases:

1. In cases when the manufacture, import and EXPORT of narcotics are licensed by the Authorities.
2. When physicians, dentists or veterinaries consider that the use of narcotics is necessary.
3. When the buyer of narcotics is a practicing physician, dentist or veterinary.
4. When the narcotics are to be used for scientific purposes.

Thus it will be seen that these NEW LAWS were issued mainly to assist the "Manchoukuo Opium Monopoly Administration" in a control of the use of narcotics and not AS A DRIVE AGAINST THE OPIUM AND NARCOTIC HABITS as was claimed by "Manchoukuo" Premier Chang Ching-hui in his official declaration published in Hsinking on August 11, 1937.

However, the NEW LAWS were effective in that several private factories in Mukden and Harbin as well as later in Dairen and vicinity WERE CLOSED BY THE AUTHORITIES AND their Japanese and Korean owners fined. So that as far as I know THERE ARE NO PRIVATE FACTORIES TO BE FOUND AT PRESENT EITHER IN "MANCHOUKUO" OR IN THE KWANTUNG LEASED TERRITORY.

IT IS A VERY WELL KNOWN FACT, HOWEVER, THAT WHEN THE AUTHORITIES CLOSED THE SAID PRIVATE FACTORIES, IT WAS SEMI-OFFICIALLY "HINTED" TO THE OWNERS THEREOF THAT THEY COULD START THEIR "WORK" ANEW IN NORTH CHINA AND CHAHAR AS SOON AS THE MILITARY AND POLITICAL SITUATIONS IN THOSE REGIONS WERE STABILIZED. I HOPE TO SUBMIT TO YOU A DETAILED REPORT ON THE NEW FACTORIES WHICH ARE OPENING NOW IN NORTH CHINA AND INNER MONGOLIA as I have already received information that many of the Japanese and Koreans, formerly operating factories in "Manchoukuo" and Dairen, had migrated to these sections for the purpose of continuing their "business."

The latest reports indicate that up to the present the "Manchoukuo" Opium Monopoly Administration has issued about 2000 licenses for the retail sale of opium.

The New Laws, as you probably have noticed, are directed mainly against the manufacture and the use of NARCOTICS. It was found that some Japanese became addicts and that while it was comparatively easy to control opium addicts who require paraphernalia for smoking, it was almost impossible to detect narcotic addicts, such as heroin smokers, who only needed a cigarette which leaves no narcotic odor.

Thus the NEW LAWS also help Japanese Authorities in their struggle with Japanese addicts. It is reported that in spite of severe punishment and deportation to Japan-proper there has been noticed a considerable increase of such addicts.

Referring to the cultivation and use of opium, the NEW LAWS brought no new restrictions but only gave more power to the "Manchoukuo Opium Monopoly Administration" and as you will see from the attached detailed reports and maps the cultivation and the use of opium has increased. The increase of opium cultivation in "Manchoukuo" is also explained by the fact that in the spring of 1937 there was great demand for crude opium in North China by the numerous narcotic factories which were opened there under Japanese protection.

At present only the Harbin "laboratory" and Mukden Government narcotic factories are manufacturing narcotics which include morphine, ester, morphine-ester, cocaine, etc. While it is unknown to me just what quantity of narcotics is manufactured by the Harbin "laboratory", I have definite information that the Mukden factory of "MOMA" is manufacturing from 75 to 100 kilograms daily, PART OF WHICH, OF COURSE, IS DESTINED FOR EXPORT TO EUROPE AND THE U.S.A.

"MOMA's" factory in Chengteh (Jehol) is at present manufacturing only "base" for which there is a large demand in North China and Chahar. It is reported that during the second part of August and first part of September about 200,000 kilograms of "base" were brought to Tientsin by Japanese Military Transport units and that such "transportation" was to be increased in October 1937.

Regarding the structure of the "Manchoukuo Opium Monopoly Administration" (see scheme "D") the following is the present setup:

- 1 - Central office in Hsinking
- 16 - Provincial offices in all the provincial capitals
- 77 - District offices (will be increased to 110 before the end of 1937)
- 2 - Narcotic factories (Mukden and Chengteh)
- 1 - Chemical laboratory (Harbin)
- 5 - Infirmaries (Hsinking, Kirin, Tsitsikar, Mukden and Chengteh)

(It must be noted, however, that districts under opium cultivation in East Hopeh are not subordinated to "Manchoukuo Opium Monopoly" and are controlled by General Chu Tsung-mo, the present leader of East Hopeh Autonomous Regime.)

(The same must be said about Chahar, where such cultivation is controlled by "Private Opium Company" organized by Prince Teh-wan and his followers, with assistance of some Japanese and a capital of \$2,000,000.)

On the following 12 pages I am submitting to you a detailed report regarding the cultivation of "poppy" in "Manchoukuo" in 1937.

You will see that the crop was very good and I have definite information that by the end of July or beginning of August about 1,800,000 pounds were collected in the various provinces of "Manchoukuo" and brought to a Central Store in Hsinking. About 1,000,000 pounds were left in the provincial offices for "local" use, i.e. for sale to retailers licensed by the "Manchoukuo Opium Monopoly."

In this detailed report you will find that cultivation of "poppy" in "Manchoukuo" increased 30 - 35% and the cost of the opium collected increased by about 50%.

Although the average figure of the pounds collected from one hectare dropped from 40 lbs. in 1936 to 36.5 lbs. in 1937, a good crop and the fact that there were 30,000 hectares more under "poppy" than in 1936, accounts for the big increase in 1937.

Mukden, October 26, 1937.

GENERAL REPORT ON OPIUM CULTIVATION IN VARIOUS PROVINCES OF "MANCHUKUO"
(IN 1937)
GIVING GENERAL FIGURES

(See Maps "A" and "B" and Scheme "CH")

| No. | Name of Province | No. of districts under "poppy" | No. of hectares under "poppy" | No. of lbs. of opium collected | Cost of opium collected in 1937 (kuobi) | Average No. of lbs. collected per hectare |
|-------|------------------|--------------------------------|-------------------------------|--------------------------------|---|---|
| 1 | Jehol | 12 (all) | 29,480 | 1,197,440 | 42,850,080 | 40 |
| 2 | Hsingan-West | 7 " | 6,520 | 268,485 | 9,665,460 | 41 |
| 3 | Hsingan-South | 4 " | 3,840 | 148,575 | 5,348,460 | 39 |
| 4 | Fengtien | 9 | 950 | 30,940 | 1,113,840 | 33 |
| 5 | Antung | 2 | 170 | 5,710 | 205,560 | 33 |
| 6 | Tunghwa | 6 " | 1,645 | 57,410 | 2,066,580 | 34 |
| 7 | Kirin | 10 | 1,180 | 39,965 | 1,438,020 | 34 |
| 8 | Lungkiang | 13 | 3,110 | 96,495 | 3,473,860 | 30 |
| 9 | Chientao | 4 | 3,270 | 129,360 | 4,656,960 | 40 |
| 10 | Mitankiang | 5 | 7,105 | 277,085 | 10,015,060 | 37 |
| 11 | Pingkiang | 13 | 2,200 | 81,545 | 2,735,580 | 37 |
| 12 | Sengkiang | 6 | 12,155 | 462,935 | 16,665,740 | 39 |
| Total | | 91 | 71,625 | 2,795,945 | 100,235,200 | 36.5 |

Thus out of sixteen provinces in "Manchoukuo" opium was cultivated during 1937 in the above twelve provinces and no opium was cultivated in the four provinces of Heiho, Chinchow, Hsingan-East and Hsingan-North.

Please note that opium collected in "Manchoukuo" in 1937 shows an increase of 30-35% compared with the year 1936. This is explained partly by a good crop but mainly by the enormous requirement (in the past spring) of crude opium in North China where Japanese operated many factories for the manufacture of narcotics causing the increase of acreage under "poppy" in the neighboring provinces of Jehol and Hsingan-West.

It must be noted also that opium cultivation has been noticed in the districts of Chahar and East Hopeh along the Great Wall (see comparative map "B"), but it was impossible for me to get proper figures owing to the movements of Japanese troops in those districts after the commencement of the Sino-Japanese conflict in North China.

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Mukden, October 25, 1937.

DETAILED REPORT ON THE OPIUM CULTIVATION (IN 1937) IN THE PROVINCE OF
J E H O L

~~See Scheme "C"~~

| Name of District | No. of hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of col- lected opium (approx. and average price 36 kuobi per lb.) | No. of lbs. collected per hectare (average) |
|------------------|--|---|--|--|
| Chifeng | 3,390 | 132,210 | 4,769,560 | 39 |
| Chienping | 2,670 | 109,470 | 3,940,920 | 41 |
| Weichang | 4,020 | 180,900 | 6,512,400 | 45 |
| Lunghua | 1,800 | 68,400 | 2,462,400 | 38 |
| Lingyuan | 2,450 | 100,450 | 3,646,200 | 41 |
| Ningcheng | 1,270 | 49,530 | 1,783,080 | 39 |
| Lingnan | 2,190 | 89,700 | 3,232,440 | 41 |
| Pingchuan | 3,320 | 126,160 | 4,540,760 | 38 |
| Chengtse | 3,750 | 150,000 | 5,000,000 | 40 |
| Luanping | 920 | 41,400 | 1,490,400 | 45 |
| Fengning | 3,080 | 126,280 | 4,546,080 | 41 |
| Chinglung | 620 | 22,940 | 925,840 | 37 |
| Total | 29,480 | 1,197,440 | 42,850,080 | 40 |

~~NOTE: On the attached scheme "C" all districts (hsiens) shown under letters A, B, C, D. The number of hectares under "poppy" shown in black figures, while the number of pounds of opium collected are shown in red figures.~~

Thus you can see that Jehol Province, just as it was last year, is the province in which the largest number of hectares were cultivated under "poppy" and where greater quantity of opium has been collected in 1937. It can also be seen that the crop in 1937 is triple the 1936 crop. which is mainly explained by the fact that Jehol is the nearest province to North China where narcotic factories in Tientsin, Peking and East Hopeh districts required more raw opium than before.

As you see, all 12 districts (hsiens) of Jehol were under "poppy" in 1937.

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Mukden, October 25, 1937.

DETAILED REPORT ON THE OPIUM CULTIVATION (IN 1937) IN THE PROVINCE OF
HSINGAN - WEST

~~(See Scheme "C")~~

| Name of District | No. of hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of col- lected opium (approx. and average price 36 kuobi per lb. | No. of lbs. collected per hectare (average) |
|------------------|--|---|---|--|
| Lupei | 640 | 26,240 | 944,640 | 41 |
| Tienshan | 790 | 33,180 | 1,194,480 | 42 |
| Kailu | 720 | 29,520 | 1,062,720 | 41 |
| Tapanshan | 990 | 38,610 | 1,389,960 | 39 |
| Lintung | 1,010 | 41,410 | 1,490,760 | 41 |
| Linsi | 945 | 42,525 | 1,530,900 | 45 |
| Kingpeng | 1,425 | 57,000 | 2,052,000 | 40 |
| Total | 6,520 | 268,485 | 9,665,460 | 41 |

~~NOTE: On the attached scheme "C" all districts (hsiens) shown under letters A, B, C, D. The number of hectares under "poppy" shown in the black figures, while the number of pounds of opium collected is shown in red figures.~~

The province of Hsingan-West differs from the other provinces of "Manchoukuo" in that during the passing (1937) year it produced the highest average number of pounds of opium collected from one hectare. Its average figure is 41 pounds per hectare while in other provinces the average figures are much lower and in some provinces as low as 33 pounds or even 30 pounds per hectare.

The crop collected in 1937 is double that of 1936 which is explained by the fact that more was required by contiguous North China provinces.

As in 1936 all 7 districts (hsiens) of Hsingan-West were under "poppy" cultivation.

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Mukden, October 25, 1937.

DETAILED REPORT ON THE OPIUM CULTIVATION (IN 1937) IN THE PROVINCE OF
HSINGAN - SOUTH

~~(See Scheme "C")~~

| Name of District | No. of hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of col- lected opium (approx. and average price 36 Kiohi per lb. | No. of lbs. collected per hectare (average) |
|------------------|--|---|---|--|
| WANGEMIAO | 980 | 36,260 | 1,305,360 | 37 |
| TEPAISSU | 810 | 31,590 | 1,137,240 | 39 |
| HALACHIERIA | 775 | 31,000 | 1,116,000 | 40 |
| TUNGILIAO | 1,275 | 49,725 | 1,790,100 | 39 |
| Total | 3,840 | 148,575 | 5,348,700 | 39 |

~~NOTE: On the attached scheme "C" all districts (hsiens) are shown under letters A, B, C, D. The number of hectares under "poppy" are shown in black figures, while the number of pounds of opium collected is shown in red figures.~~

All four districts (hsiens) were under "poppy" in 1937, just as in 1936.

Mukden, October 25, 1937.

DETAILED REPORT ON THE OPIUM CULTIVATED (IN 1937) IN THE PROVINCE OF
FENG TIEN

~~(See Scheme "C")~~

| Name of District | No. of hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of collected opium (approx. and average price 36 kuobi per lb.) | No. of lbs. collected per hectare (average) |
|------------------|---------------------------------------|--|--|---|
| Tungfeng | 95 | 3,135 | 112,860 | 33 |
| Hailung | 85 | 2,975 | 107,100 | 35 |
| Fushun | 50 | 1,850 | 66,600 | 37 |
| Tiehling | 80 | 2,640 | 95,040 | 33 |
| Faku | 120 | 3,720 | 133,920 | 31 |
| Mengkang | 195 | 6,435 | 231,660 | 33 |
| Huinan | 140 | 4,340 | 156,240 | 31 |
| Sian | 110 | 3,520 | 126,720 | 32 |
| Sifeng | 75 | 2,325 | 83,700 | 31 |
| Total | 950 | 30,940 | 1,113,840 | 33 |

~~NOTE: On the attached scheme "C" all districts (hsiens) are shown under letters A, B, C, D. The number of hectares under "poppy" are shown in black figures, while the number of pounds of opium collected is shown in red figures.~~

Out of 28 districts of Fengtien province only 9 districts (same as in 1936) were under poppy cultivation during this year (1937). But there are only 950 hectares under "poppy" this year while there were 1235 hectares in 1936 thus making the site under "poppy" approximately 25% less than it was in 1936. The crop collected is also less by 22 to 25% (30,940 lbs. in 1937 compared with 41,005 lbs. in 1936). The average number of pounds collected is also very low being only 33 pounds per hectare which may be explained mainly by climatic conditions.

Please note that cultivation of "poppy" this year was done mainly in northern part of Fengtien province as in the southern part, on the borders of Antung and Tunghwa Provinces, no "poppy" was cultivated on account of activities of many "hunhutze" (bandits) and Chinese volunteers bands in those sections.

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Mukden, October 25, 1937.

DETAILED REPORT ON THE OPIUM CULTIVATED (IN 1937) IN THE PROVINCES OF
ANTUNG and TUNGHWA

~~(See Scheme "G")~~

| Name of District | No. of hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of collected opium (approx. and average price 36 kuobi per lb.) | No. of lbs. collected per hectare (average) |
|-------------------------|---------------------------------------|--|--|---|
| <u>ANTUNG PROVINCE</u> | | | | |
| Kuantien | 110 | 3,850 | 138,600 | 35 |
| Fengcheng | 60 | 1,860 | 66,960 | 31 |
| Total | 170 | 5,710 | 205,560 | 33 |
| <u>TUNGHWA PROVINCE</u> | | | | |
| Tungghwa | 225 | 7,865 | 282,960 | 35 |
| Chian | 160 | 5,280 | 190,080 | 33 |
| Huanjen | 125 | 3,875 | 139,500 | 31 |
| Chanpai | 435 | 15,660 | 563,760 | 36 |
| Fusung | 390 | 13,260 | 477,360 | 34 |
| Linkiang | 310 | 11,470 | 412,920 | 37 |
| Total | 1,645 | 57,410 | 2,066,580 | 34 |

~~NOTE: On the attached scheme "G" all districts (insians) are shown under letters A, B, C, D. The number of hectares under "poppy" are shown in black figures, while the number of pounds of opium collected is shown in red figures.~~

As I reported previously the Province of Antung has been recently divided into two provinces, viz, Antung (five districts) and Tungghwa (six districts).

In the province of Antung only two of the five districts were under "poppy" this year while all six districts of Tungghwa province were under such cultivation.

Generally there is not much difference in the area under "poppy" and production thereof between this year (1937) and last year (1936).

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Mukden, October 25, 1937.

DETAILED REPORT ON THE OPIUM CULTIVATED (IN 1937) IN THE PROVINCE OF
KIRIN~~(See Scheme "C")~~

| Name of District | No. of hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of collected opium (approx. and average price 36 kuobi per lb.) | No. of lbs. collected per hectare (average) |
|------------------|---------------------------------------|--|--|---|
| Emu | 185 | 6,475 | 233,100 | 35 |
| Tunhua | 160 | 5,920 | 213,120 | 37 |
| Huatien | 200 | 6,800 | 244,800 | 34 |
| Panshih | 110 | 3,630 | 130,680 | 33 |
| Kirin | 75 | 2,550 | 91,800 | 34 |
| Chenan | 60 | 2,100 | 75,600 | 35 |
| Fuyu | 85 | 2,635 | 94,860 | 31 |
| Yushu | 95 | 2,915 | 104,940 | 33 |
| Hsulan | 100 | 3,400 | 122,400 | 34 |
| Tehui | 110 | 3,540 | 126,720 | 32 |
| Total | 1,180 | 39,965 | 1,438,020 | 34 |

~~NOTE. On the attached scheme "C" all districts (hsien) are shown under letters A, B, C, D. The number of hectares under "poppy" are shown in black figures, while the number of pounds of opium collected is shown in red figures.~~

In 1937 10 of the 16 districts belonging to Kirin Province were under "poppy" cultivation.

During 1936 "poppy" was cultivated in only 8 districts. The two districts added are Kirin and Hsulan which, however, are not in the region originally allotted by Manchoukuo Opium Monopoly Administration for the cultivation of opium. It is explained by the fact that control during this year was not so strict as in 1935-1936.

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Mukden, October 25, 1937.

DETAILED REPORT ON THE OPIUM CULTIVATED (IN 1937) IN THE PROVINCE OF
LUNGKIANG

~~(See Scheme "G")~~

| Name of District | No. of hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of collected opium (approx. and average price 36 kuobi per lb.) | No. of lbs. collected per hectare (average) |
|------------------|---------------------------------------|--|--|---|
| Fiyu | 185 | 5,365 | 193,140 | 29 |
| Kannan | 155 | 4,805 | 172,980 | 31 |
| Mingshui | 150 | 4,050 | 145,800 | 27 |
| Chingsien | 135 | 4,060 | 146,200 | 30 |
| Tailai | 195 | 5,655 | 203,580 | 29 |
| Talai | 220 | 6,820 | 245,520 | 31 |
| Chintung | 255 | 8,415 | 302,940 | 33 |
| Ankwang | 245 | 7,840 | 282,240 | 32 |
| Kaitung | 300 | 8,700 | 313,200 | 29 |
| Chayu | 295 | 9,735 | 350,460 | 33 |
| Taonan | 305 | 9,760 | 351,360 | 32 |
| Taoan | 310 | 10,850 | 390,600 | 35 |
| Tuchuan | 360 | 10,440 | 375,840 | 29 |
| Total | 3,110 | 96,495 | 3,473,860 | 30 |

~~NOTE: On the attached scheme "G" all districts (hien) are shown under the letters A, B, C, D. The number of hectares under "poppy" is shown in black figures, while the number of pounds of opium collected is shown in red figures.~~

As you see, there were 13 districts of Lungkiang Province under "poppy" cultivation in 1937 out of the total number of 25.

Last year (1936) there were 15 districts under cultivation but this year cultivation of opium was not permitted in two northern districts on account of "hunhutze" (bandits) and partisan bands.

Just as in 1936, this year Lungkiang Province produced the smallest crop of opium - average number of pounds per hectare being 30 pounds while last year it was 32 pounds.

8532
P15
Mukden, October 25, 1937.

DETAILED REPORT ON THE OPIUM CULTIVATED (IN 1937) IN THE PROVINCE OF
CHIENTAO

~~(See scheme "G")~~

| Name of District | No. of hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of collected opium (approx. and average price 36 kuobi per lb.) | No. of lbs. collected per hectare (average) |
|------------------|---------------------------------------|--|--|---|
| Wangching | 945 | 36,855 | 1,326,780 | 39 |
| Yenchi | 625 | 24,375 | 877,500 | 39 |
| Holung | 915 | 37,515 | 1,350,540 | 41 |
| Antu | 785 | 30,615 | 1,102,140 | 39 |
| Total | 3,270 | 129,360 | 4,656,960 | 40 |

~~NOTE: All districts (scheme) on the attached scheme "G" are shown by letters A, B, C, D. The number of hectares under "poppy" is shown in black figures while the number of pounds of opium collected is shown in red figures.~~

This year (1937) out of the five districts comprising Chientao Province only four were under "poppy" cultivation. The fifth district - Hanchun - is situated along the Soviet border. Japanese forces were erecting fortifications there and no "poppy" cultivation was allowed by the Japanese officers in charge of fortification works.

Chientao Province produced this year (1937) a very good crop of opium. Average figures being 40 pounds per hectare. Last year (1936) this average figures was even better, being 41 pounds per hectare.

Mukden, October 25, 1937.

DETAILED REPORT ON THE OPIUM CULTIVATED (IN 1937) IN THE PROVINCE OF
MUTANKIANG

~~(See Scheme "G")~~

| Name of District | No. of hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of collected opium (approx. and average price 36 kuobi per lb.) | No. of lbs. collected per hectare (average) |
|------------------|---------------------------------------|--|--|---|
| Wuchang | 1,000 | 37,000 | 1,332,000 | 37 |
| Chuho | 720 | 28,080 | 1,050,880 | 39 |
| Weiho | 2,950 | 106,200 | 3,823,200 | 36 |
| Ningan | 1,275 | 44,625 | 1,606,500 | 35 |
| Muling | 1,160 | 61,180 | 2,202,480 | 38 |
| Total | 7,105 | 277,085 | 10,015,060 | 37 |

~~NOTE. On the attached scheme "G" all districts (hsiang) are shown by the letter A, B, C, D. The number of hectares under "poppy" is shown in black figures, while the number of pounds of opium collected is shown in red figures.~~

As it was previously reported, the Province of Mutankiang was created in "Manchoukuo" only this year (1937) by cutting 8 Eastern districts from the Province of Pingkiang.

Out of the said 8 districts only the 5 above mentioned districts were under "poppy" cultivation this year (1937). In the three remaining provinces which are situated along the Soviet border no "poppy" cultivation was allowed as Japanese Military engineers were busy there constructing various fortifications. Besides, in Muling district "poppy" cultivation was permitted only in its western part which is some distance from the Soviet border.

Mukden, October 25, 1937.

DETAILED REPORT ON OPIUM CULTIVATED (IN 1937) IN THE PROVINCE OF
PINGKIANG

~~(See Scheme "C")~~

| Name of District | No of. hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of col-lected opium (approx. and average price 36 kuobi per lb.) | No. of lbs. collected per hectare (average) |
|--------------------|---------------------------------------|--|---|---|
| Pingkiang (Harbin) | 145 | 5,365 | 193,140 | 37 |
| Suihua | 85 | 2,975 | 107,100 | 35 |
| Suillin | 55 | 1,815 | 65,300 | 33 |
| Payen | 355 | 12,780 | 260,080 | 36 |
| Pin | 70 | 2,660 | 95,760 | 38 |
| Tiehli | 45 | 1,755 | 63,180 | 39 |
| Mulan | 470 | 16,920 | 609,120 | 36 |
| Pinhsian | 445 | 16,465 | 592,740 | 37 |
| Suangcheng | 220 | 9,240 | 332,640 | 42 |
| Wangkuei | 60 | 2,160 | 77,760 | 36 |
| Anta | 95 | 3,325 | 119,700 | 35 |
| Lansi | 75 | 2,925 | 105,300 | 39 |
| Chaotung | 80 | 3,160 | 113,760 | 37 |
| Total | 2,200 | 81,545 | 2,735,580 | 37 |

~~NOTE. On the attached scheme "C" all districts (hoiens) are shown under the letters A, B, C, D. The number of hectares under "poppy" is shown in black figures while the number of pounds of opium collected is shown in red figures.~~

Out of eighteen districts of the province of Pingkiang the thirteen above mentioned districts were under "poppy" cultivation.

In the remaining five districts attempts were made to cultivate opium this year but it was ruined by raids by "hunhutze" (bandits) and "volunteer" soldiers, which were numerous in those districts this year (1937).

Mukden, October 25, 1937.

DETAILED REPORT ON THE OPIUM CULTIVATED (IN 1937) IN THE PROVINCE OF
SANGKIANG

~~(See Scheme "C")~~

| Name of District | No. of Hectares under "poppy" in 1937 | No. of lbs. collected this year (1937) | Cost of collected opium (approx. and average price 36 kuobi per lb.) | No. of lbs. collected per hectare (average) |
|------------------|---------------------------------------|--|--|---|
| Tunghe | 950 | 39,900 | 1,436,480 | 42 |
| Tangyuan | 1,825 | 73,000 | 2,628,000 | 40 |
| Fancheng | 2,555 | 94,535 | 3,403,260 | 37 |
| Ilan | 2,175 | 78,300 | 2,818,800 | 36 |
| Huachuan | 2,575 | 100,425 | 3,615,300 | 39 |
| Fuchin | 2,075 | 76,775 | 2,763,900 | 37 |
| Total | 12,155 | 462,935 | 16,665,740 | 39 |

~~NOTE: On the attached scheme "C" all districts (hoiens) are shown by the letter A, B, C, D. The number of hectares under "poppy" are shown by black figures, while the number of pounds of opium collected are shown by red figures.~~

In 1936 all 14 districts of Sangkiang Province were under "poppy" cultivation. This year, however, cultivation of "poppy" has been permitted only in the above mentioned 6 districts. This is explained by the fact, which can be clearly seen in the attached comparative maps "A" and "B" as well as in the attached scheme "C", that the other eight districts are situated along the Soviet border where many Japanese troops were stationed and where military fortifications were under construction by Japanese military engineers. Besides in some districts of the said province there were many anti-Japanese partisan parties (volunteers) which troubled the Japanese Administration, so the dangerous places were declared out of the "poppy" cultivation plan.

However, in spite of the above mentioned drawbacks the province of Sangkiang is in second place this year (1937) (Jehol is the first) in quantity of opium collected which is easily explained by climatic conditions as the said province is situated along the rich Sungary and Ussuri River valleys.

I&P:JWB

THE UNDER SECRETARY OF THE TREASURY

Washington 25

MAY 31 1946

My dear Mr. Secretary:

Under date of November 30, 1945, the Treasury Department addressed a letter to Lt. Col. William T. Hornaday, War Crimes Office, Headquarters, Army Service Forces, Office of the Judge Advocate General, Washington, D. C., referring to a request by Col. Hornaday addressed to the Bureau of Customs for authority to use the originals of certain documents which were taken from the files of the Bureau of Customs and which will be introduced at certain war criminal trials in Japan.

Col. Hornaday was informed that the Treasury Department had no objection to his use of these documents.

It is understood that the War Crimes Office has particular reference to a report from former Treasury Attache Nicholson at Shanghai, dated October 27, 1937, entitled "MANCHOUKUO OPIUM MONOPOLY ADMINISTRATION, ITS ORGANIZATION, ACTIVITIES AND OPIUM CONDITION IN MANCHOUKUO IN 1937," and wishes to be informed whether this is an official report.

You are informed that the report entitled "MANCHOUKUO OPIUM MONOPOLY ADMINISTRATION, ITS ORGANIZATION, ACTIVITIES, AND OPIUM CONDITION IN MANCHOUKUO IN 1937" is an official report from the Office of the United States Treasury Attache at Shanghai and was taken from the files of the Bureau of Customs in order that it might be used as evidence in the war crimes trials in Japan.

Very truly yours,

/s/ O. Max Gardner

Under Secretary of the Treasury

The Honorable

The Secretary of War

In duplicate

ADMINISTRATIVE COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.

9533 P1



DEPARTMENT OF STATE
WASHINGTON

March 12, 1938

In reply refer to
FE 893.114 N 16 Manchuria/272

CONFIDENTIAL

Attention: Customs Agency Service

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and, referring to this Department's letter of December 30, 1937, encloses herewith, in duplicate, for the confidential information of the Treasury Department, a copy of despatch No. 71, dated January 27, 1938, from the American Consulate General at Mukden, concerning the policy of the "Manchukuo Government" in regard to the suppression of the use of narcotic drugs.

Attention is invited to the budget figures for 1938 representing an anticipated increase in consumption of opium.

Enclosure:

From Consulate General, Mukden,
No. 71, January 27, 1938, in duplicate.

Am. Cons. Mukden ✓

11 *SP*

The Foreign Service
of the
United States of America

7A

9533

P2

American Consulate General,
Mukden, Manchuria,
January 27, 1938.

"Manchukuo" Opium Policy.

The Honorable

The Secretary of State,
Washington.

Sir:

I have the honor to refer to recent despatches concerning "Manchukuo's" reformed opium and narcotics policy.* It will be recalled that this office hesitated to state whether the new policy represented honest intent on the part of the Government to reduce, if not eradicate, the drug evil or whether it was merely a pious rationalization of tighter Government control over the opium and narcotics revenue.

Study of the 1938 budget**, Monopolies Special account, goes a long way towards dissipating uncertainty as to the Government's motive for instituting a so-called reform of its opium policy. The following statistical comparisons taken from the preceding and current budgets are revealing:

| | 1937 | 1938 |
|-----------------------|------------|------------|
| Purchase of raw opium | 29,085,000 | 22,885,000 |
| Sale of opium | 47,850,000 | 71,045,800 |

* Despatches Nos. 59, 65, and 69 to the Department, dated September 27, 1937, November 6, 1937, and November 20, 1937, respectively.

** A despatch on the budget is under preparation.

The

- 3 -

The price of raw opium has not risen, that of processed opium has risen slightly.* The above figures, therefore, represent an anticipated increase in consumption, irreconcilable with the Government's announced intention to curb the use of the drug. ~~The Manchurian Government's expressions of solicitude for the welfare of the people steadily being debased by the drug traffic are familiar sentimentalities.~~

Respectfully yours,

John Davies, Jr.
American Vice Consul

In quintuplicate to the Department.
Copy to the Embassy, Peiping.
Copy to the Embassy, Hankow.
Copy to the Embassy, Tokyo.
Copy to the Consulate General, Harbin.
Copy to the Consulate, Dairen.
Copy to the Treasury Attache, Shanghai.

all.4
JD:fgl

*Due largely, it is rumored, to a shortage arising out of the capture in November or December by insurgents of 27 trucks transporting Government opium. The difference between the purchase and sale prices above does not represent Government profit. Processing and distributing costs are unknown.



TREASURY DEPARTMENT
BUREAU OF CUSTOMS
INVESTIGATIVE UNIT

TREASURY REPRESENTATIVE
CARE OF AMERICAN CONSUL

DEPARTMENT
COPY

9534

P.

April 2, 1938
HONG KONG

Stuart J. Fuller, Esq.,
c/o American Consulate General,
Geneva.

Dear Fuller:-

Chen ✓

I am enclosing herewith all the data I have to date on opium and narcotic situation in North China and Manchukuo. Conditions are such in the north that it is all but impossible to obtain any real information on the subject.

Japanese military have conducted a reign of terror against White Russians and others in the North suspected of supplying the outside world with information regarding the drug traffic. They call it "economic espionage." Two of my best workers have been willfully and brutally murdered. Your "Dr." Frank Koenig is accused by Tientsin British police of supplying Japanese with names and information regarding anti-narcotic workers. I must warn you against this man as it is believed he is working for Japs in Europe and especially regarding activities in Geneva. But this is another and gruesome story; details of which are being supplied to the Treasury Department in Washington.

Wishing you the best of luck and with kind personal regards, I am,

Faithfully,

M. R. Nicholson
M. R. NICHOLSON
U.S. Treasury Attache'

Copy to Bureau of Customs
Washington, D.C.
MRN/AJC

Mar 10-1938 9534
P2

Further re: "Manchoukuo" Opium Monopoly.

The Japanese have been very "touchy" on the subject of opium and narcotic conditions in "Manchoukuo" and other territories under their control, following the attack on them launched by the Opium Advisory Committee of the League of Nations last year. Since that time they have been strenuously trying to camouflage and cover up the increase in the opium and narcotic traffic and the number of addicts in the above controlled areas.

Recently Mr. Kei Miyakawa, believed to be one of the chief organizers of the "Manchoukuo Opium Monopoly Administration", published a "holier than thou" article in the "Manchurian Daily News", Nos. 7806 - 7816, February 6th to 16th inclusive, entitled "Opium and Dangerous Drugs in Manchoukuo" (copy attached).

Full data on this subject has been supplied to the Bureau in various reports submitted by this office, so that nothing new appears in Miyakawa's articles, except figures covering end of 1937 and beginning of 1938 and possibly some recent laws and regulations.

It is obvious that the article was published for the purpose of concealing the real figures; yet the author does not deny that the opium trade as well as the revenue derived therefrom are increasing each year. However, he ingeniously explains that "the gradual increase xxxxx should not be misconstrued as it is the result of the strict and proper Government administration, which is checking more and more the illicit traffic". What he actually shows is that the "Government" is gradually overcoming the competition of independent trafficking. Such is the sole purpose of Monopoly suppression.

The author states "there were as may be seen by the above figures, large deficits in both 1933 and 1934 and it was not until 1935 that the revenue and expenditures were barely balanced". What the figures actually show is as

follows:

| | <u>Govt. Bot.</u> | <u>Price per liang</u> | <u>Govt. Sold</u> | <u>Price per liang</u> |
|------|-------------------|----------------------------|-------------------|----------------------------|
| 1933 | 3,429,601 | 2.25 | 1,220,403 | 4.50 approx |
| 1934 | 6,612,951 | 2.25 | 3,808,499 | 4.00 " |
| 1935 | 7,601,254 | 2.02 | 7,780,606 | 3.63 " |
| 1936 | 10,307,943 | 1.92 | 10,108,223 | 3.85 " |
| 1937 | 13,500,000 | 2.20 | 12,300,000 | 3.90 " |

or an average gross profit of over 80%.

During the five years in question the Govt. purchased 41,000,000 liang and

sold 35,000,000. ~~Question: What became of the difference of approx 6,000,000 liang?~~

Hong Kong, April 3, 1938.

Re: Heroin Factory in Macao

Careful enquiries made in various quarters failed to confirm the existence of a heroin factory in Macao although it is rumoured that a certain group of Persians or Armenians planned to open such a factory. However, it is reported that they failed to get the necessary protection and postponed the plan.

The existence of any new factory could be easily traced by the local Government laboratory which, I was told, is analysing all new seizures and the appearance in the market of a new manufacture would be immediately noted.

Moreover, I was told that Hong Kong itself, as well as surrounding part of South China, do not require a large amount of heroin because the upper and middle classes are still smoking the traditional opium pipe while the poorer classes use "red pills" which contain heroin but very little of this drug is used in their manufacture.

The number of heroin smokers (pure heroin placed in a cigarette) in South China is very small compared with number of such smokers in "Manchoukuo" and North China where this easy way of drug-using finds many victims daily.

Furthermore, I have been informed that heroin for South China use is usually brought here in small quantities from Japan, Manchuria and North China and that carriers are mostly crew members of various steamers.

Records of the Hong Kong authorities do not show any important seizures of heroin. "Red pills" seized are made in Hong Kong and vicinity and the "red pills" so seized have never been traced to Macao

Hong Kong, April 3, 1938.

Re: Narcotics in Peking-Tientsin Area1/ General Situation:

Forced by revelations made by the League of Nations and by world wide publicity given narcotic traffic in the Japanese Concession in Tientsin, Japanese in June and July of 1937 started, or pretended to start, a "clean up" of the said Concession, where as is well known numerous factories, stores and retail shops existed in which narcotics were manufactured and sold openly under protection of Japanese authorities.

This "clean up", which was carried out to appease world opinion and military activities in the Peking-Tientsin area during July, August and September of 1937 naturally handicapped the work of narcotic manufacturers, dealers and retailers for a short time. As soon as the Japanese gained control over this area they again took narcotic manufacturers and traffickers under their protection and the traffic is now in full swing. Our information is to the effect that the traditional opium pipe is gradually vanishing and that Chinese and foreign addicts alike are turning to the more dangerous habit of heroin smoking by the wall to do and the use of "red pills" by the poorer classes. Japanese authorities are taking care that no Japanese subjects become addicts and when such are found they are immediately deported to Japan. On the other hand they are encouraging and often forcing the sale of deadly drugs to Chinese, foreigners and even Koreans.

2/ Tientsin:

According to official information just received there are at present TWO heroin factories in Tientsin. One of them, belonging to a Sino-Japanese syndicate called the Chen Syndicate, operates the same as heretofore in the Japanese Concession. This factory is the only one which the Japanese allow to operate in their Concession; all other factories were either forced to close by the Japs or were ordered to move out of their

Concession/

Concession. A new factory was established recently in the outskirts of Tientsin just outside the ex-Russian Concession; the information being that this factory is operated by a Japanese and Korean whose name is reported to be Koneko but the information is not clear on this Korean. Further, it is reported, that a German chemist has been invited to work in the said factory, and that they are manufacturing, or preparing to manufacture, high grade heroin for EXPORT.

There are 15 to 20 small factories in Tientsin, mostly situated in Japanese Concession or what is known as Chinese City, manufacturing "Red pills".

Opium dens and various shops selling all kinds of narcotics, which heretofore operated only in the Japanese Concession, are at present scattered all around Tientsin with exception of the British, French and Italian Concessions. It is difficult to say accurately how many of these shops and dens are operating but my Tientsin agent is fairly certain there are not less than 200 such establishments in this area.

3/ Peking:

There are no narcotic factories of any kind in Peking, but there are many opium dens and shops selling narcotics.

4/ Fengtai:

There is a huge narcotic factory in Fengtai which is under direct protection of the Japanese Military. It is reported that all opium seized by the Japanese Army in various places of North China is stored in the said factory or turned into base or heroin. IT IS CLAIMED THAT THIS FACTORY IS THE FOUNDATION OF THE FUTURE "NORTH CHINA OPIUM MONOPOLY ADMINISTRATION", WHICH WILL OPERATE UNDER THE GUIDANCE AND PROTECTION OF THE "MANCHOUKUO OPIUM MONOPOLY ADMINISTRATION". As Fengtai contains a large Japanese garrison no opium dens or narcotic shops are allowed there, with exception

of/

of one, which operates under the direct supervision of the Japanese Gendarmerie and may be patronized only by REGISTERED Chinese addicts. This indicates that this plant is probably the nucleus of a future ~~of~~ ^{or} monopoly in North China.

5/ Other towns:

There is no doubt in the mind of investigators that heroin, "base" and "red pills" factories exist in other places in North China but owing to the present political and military situation in this area it is very difficult to get detailed information.

However, the following (so far unconfirmed) reports were received during December of 1937 and January of 1938:

- a/ That there are at least TWO heroin factories in Tongshan;
- b/ That there are at least SIX narcotic factories in Tungehow;
- c/ That there is ONE factory operating or about to operate in Kalgan.

9535
P1DEPARTMENT OF STATE
WASHINGTONIn reply refer to
FE 893.114 Manchuria/

May 16, 1939

CONFIDENTIALAttention: Customs Agency Service

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury, and encloses herewith, in triplicate, for the information of the Treasury Department, an excerpt from a despatch dated March 20, 1939, from the American Consulate General at Mukden, in regard to the "Manchukuo" budget for 1939.

Enclosure:

Excerpt, in triplicate,

Jan
3

Excerpt from despatch dated March 30, 1939 from
the American Consulate General at Mukden
covering the "Manchukuo" budget for 1939.

Monopolies Operation Special Account

This account deserves study. It shows gross receipts
as follows:

| | <u>1939</u> | <u>1938</u> |
|---|-------------|----------------------|
| From opium sales: Yen 90,908,400 | | Yen 71,045,200 |
| From petroleum products sales: Yen 49,450,300 | | Yen 40,312,800 |
| From salt sales: Yen 38,349,870 | | Yen 33,590,150 |
| From match sales: Yen 7,702,400 | | Yen 6,360,599 |
| From alcohol sales: <u>Yen 9,274,767</u> | | <u>Yen 7,224,000</u> |
| Total Yen 195,685,737 | | Yen 158,532,749 |

The sale of opium is still "Manchukuo's" chief money-getter next to customs revenue, and it is difficult to put faith in "Manchukuo's" professions of interest in eradication of the opium evil in the light of the opium monopoly figures. Last year raw opium purchased by the monopoly for its business cost Yen 32,653,000; this year it will be 43,470,000, and every man, woman and child in Manchuria is expected to spend Yen 3.00 of his or her infinitesimal cash income for opium.

Net profit from monopolies this year is expected to be over Yen 56,000,000, after payment of nearly Yen 15,000,000 to general accounts, reserve funds, and national loan funds.

Enclosure No. 1 in list No. 87 9557
[Communicated to the Council
and the Members of the League.]

Official No.: **C. 209. M. 136.** 1939. XI.

Geneva, July 8th, 1939.

LEAGUE OF NATIONS

ADVISORY COMMITTEE ON TRAFFIC IN OPIUM
AND OTHER DANGEROUS DRUGS

MINUTES
OF THE

TWENTY-FOURTH SESSION

Held at Geneva from May 15th to June 12th, 1939

Series of League of Nations Publications

XI. OPIUM AND OTHER
DANGEROUS DRUGS
1939. XI. 5.

EIGHTH MEETING (PUBLIC)

Held on Saturday, May 20th, 1939, at 10.30 a.m.

Chairman : Major COLES (United Kingdom).

Present : The members of the Committee and the Assessor, except the representatives of Peru and Uruguay.

1332. Examination of the Situation in the Far East.

Dr. Hoo Chi-tsai (China) made the following statement :

The situation in China varies widely according to whether the region concerned is in Japanese military occupation or not. I shall therefore divide my statement into two parts, dealing respectively with the situation in regions under the Chinese Government's control and the situation elsewhere.

Despite the war, which has profoundly affected the whole of our national life through the invasion of a large part of our territory, and aerial bombardments, which scatter death and destruction even behind the lines, the Chinese Government has persevered in its struggle against narcotics. Far from enfeebling our efforts in that field, the war has had the effect of redoubling them. Compulsory military service has been introduced in China, which makes it essential for us to fight against the abuse of drugs as the worst enemy of our national resistance. Moreover, in order to be able to carry on a protracted war of attrition, we are endeavouring to exploit all our economic potentialities, and from that standpoint one of the first needs is that the opium poppy should be supplanted by other crops ; for we do not look upon opium as an article of export or a primary necessity. Thus, not merely will the war not have retarded the execution of our six-year plan, but we hope that it will enable us to abolish the cultivation of the opium poppy and the abuse of opium more quickly than would have been possible in normal times.

The measures taken by the Chinese Government have already produced highly satisfactory results, which are confirmed by evidence from neutral official sources. I should like to quote one or two passages.

1. In the report from India on the illicit traffic in 1937, we find the following judgment : " The imports of contraband charas into the Punjab and the North West Frontier Province have diminished to a great extent on account of the prohibition imposed by the Chinese Government on cultivation of hemp plant in Central Asia and export of charas."

2. The annual report from the International Settlement at Shanghai for 1938 says : " In the last quarter of the year, the amount of heroin in circulation for local consumption dwindled almost to disappearing-point, and heroin-dens practically ceased to exist. In this connection, it is noteworthy that eighty-five addicts were arrested during the year, as compared with 329 in 1937 Fundamentally, the police owe this satisfactory improvement to the strict enforcement by the Chinese court in the Settlement of the Drugs Suppression Regulations promulgated on June 1st, 1936, which has given rise to an increasing disinclination on the part of Chinese to operate heroin-dens or to peddle the drug." Later on, the report adds : " The traffic in red pills in the Settlement, so far from being the serious problem it was in past years, has now practically disappeared. This is to be attributed to the enforcement by the Chinese court in the Settlement of the Drugs Suppression Regulations which prescribed the death penalty or life imprisonment for the manufacturers of narcotics and sentences ranging from twelve to fifteen years for the traffickers."

3. The annual report for Indo-China for 1937 states in regard to the illicit traffic in Laos that : " Infiltrations of Yunnanese opium are becoming more and more infrequent as the Yunnan Government's prohibition scheme comes into effect." Referring to the illicit traffic in Tonkin, the report says : " The passage of large consignments is no longer reported from the mountainous and sparsely populated areas : consignments are now broken up into very small portions They have decreased considerably in numbers." It also refers to " the putting into effect of the Yunnan restriction scheme " as one of the reasons for the decline of smuggling.

Thus, whether opium, heroin, red pills or Indian hemp be considered, it will be seen that the steps taken by the Chinese Government have definitely resulted in a substantial reduction in the illicit traffic. I am sure that the Committee will be glad to learn this.

The Chinese Government has not contented itself with the measures it enacted at the opening of its six-year plan. It has continually added to them, as I have had occasion to tell you at every session of the Advisory Committee. Since the Committee's last session, in June of last year, my Government has enacted further provisions, which I will briefly enumerate.

(1) On June 20th, 1938, new regulations for the organisation and operation of the Central Commission for Opium Suppression were issued. I have already informed the Advisory Committee, in my statement here last year, that this Commission, which is the central body responsible for the campaign against drugs, is now subordinate to the Ministry of the Interior.

The regulations to which I have referred determine the composition and method of work of the Commission. A translation will be sent to the Advisory Committee, together with translations of other regulations which I shall mention in a moment.

(2) On November 8th, 1938, the Executive Yuan, which is what we call our Cabinet, arrived at a number of decisions, described as "measures to strengthen the abolition policy", which may be divided into three groups:

(a) Some of these measures deal with the disintoxication of opium-addicts and other drug-addicts. It is laid down that local authorities shall increase the number of disintoxication hospitals and encourage opium-smokers to undergo treatment. "Opium-addicts' workshops" are to be established, in which poor and unemployed addicts can undergo disintoxication treatment and at the same time learn a trade.

(b) Other decisions are designed to establish stricter control over the funds allotted to local authorities for their anti-narcotic work. It is provided that commissions shall be set up to superintend the employment of those funds, so as to ensure that they are not used for any other purpose than the anti-narcotic campaign. Should the funds prove insufficient, the Central Government may make a grant in aid.

(c) The third group of decisions deals with the price of opium sold to registered smokers. To discourage illicit traffic, the price of such opium is not allowed to exceed the prices ruling on November 7th, 1938. For that purpose, the local authorities must report to the Central Government the prices obtaining for opium in their respective areas on November 7th.

(3) These decisions of the Executive Yuan were followed by the issue of regulations for their execution:

(a) *Regulations for the Establishment of Opium-Addicts' Workshops in Provinces, Municipalities and Districts.* These regulations provide that poor and unemployed opium-addicts who have been or are to be disintoxicated shall be housed, fed and treated in the workshops. They will undergo a course of physical culture and a course of moral rehabilitation. They will learn to make various articles out of the raw materials produced locally. These articles must be such as can find a ready sale in the neighbourhood. The period spent in the workshops will be from three to six months.

(b) *Regulations for the Control of the Special Funds allotted to Provinces, Municipalities, and Districts for the Suppression of Opium.* These regulations contain instructions for the composition and working of the provincial, municipal and district commissions which will in future be set up to superintend the employment of the funds for the suppression of opium. The funds in question are derived from a percentage levy on the proceeds of various permits issued for the use of opium, and from fines imposed and property confiscated for offences against the anti-opium laws. These funds are to be devoted exclusively to the anti-drug campaign, in the form of grants to disintoxication hospitals, grants to opium-addicts' workshops, etc. The same regulations also embody instructions for drawing up the budget of these funds, and establish supervision by the Central Government.

As regards the cultivation of the opium poppy, you will see from Table 16 of China's annual report¹ that it has been gradually reduced since the adoption of the six-year plan.

The opium poppy has been replaced, in different areas, by other crops such as cotton, cereals, vegetables, hemp, tea, fruit-trees, tobacco, wood-oil trees or sugar-cane. Under the six-year plan, all opium-poppy cultivation was due to terminate in 1940. Thanks, however, to the satisfactory results already obtained, the Chinese Government has now decreed that all opium-poppy cultivation should cease as from the end of 1939, and we hope that this date will not have to be postponed. The Chinese Government has also decided that in all those areas recovered from the enemy, in which the latter has permitted opium-poppy cultivation, such cultivation shall be prohibited forthwith. As in the past, inspectors will be sent to all places where cultivation has been prohibited, to satisfy themselves that no clandestine cultivation is being carried on. The progress achieved by the Chinese Government in its endeavours to suppress poppy cultivation is definitely encouraging, and constitutes an absolute proof that, if tackled with determination, the problem is not beyond solution. Fortunately, those provinces which have hitherto been the greatest opium-producers to the south of the Great Wall have not been occupied by the enemy; and consequently it has been possible in those provinces to apply the plans for the suppression of opium-poppy cultivation according to schedule, and, in fact, even more rapidly than had been anticipated.

While endeavouring to reduce opium cultivation and production, the Chinese Government has spared no effort to cut down the number of opium-smokers, particularly of those under 45 years of age; and it hopes to be in a position to prohibit opium-smoking completely as from 1941. Smokers from areas occupied by the Japanese, or in areas recovered from the enemy, will be registered, and will have to undergo disintoxication treatment as quickly as possible.

The main difficulty at the present moment is not the suppression of poppy cultivation, or even the prevention of clandestine drug-manufacture, but the disintoxication of opium-smokers. That is why the Executive Yuan made the decisions I mentioned to you, the object of which is to increase the number of disintoxicated smokers as quickly as possible. The

¹ Document C.127.M.79.1939.XI, page 26.

associated with each other, but it has been left to the Japanese to find a way of making a pestilence pay for war”.

Is it surprising that in such circumstances the ravages of drugs are decimating the Chinese people, to whom the Japanese military say they are bringing “order and peace” and “the benefits of friendly collaboration”? It is difficult to estimate the number of opium-addicts in the occupied areas; but there can be no question but that in those areas, including Manchuria and Jehol, never at any time in their history has the situation been so revolting, never has the percentage of opium-addicts and other drug-addicts been so high, as since they have been occupied by the Japanese troops. It is equally beyond question that no such situation exists, or ever has existed, anywhere else in the world. The Chinese people are not alone in suffering the nefarious consequences of the situation in the occupied areas. The Seizures Sub-Committee has evidence that the opium and drugs produced under the auspices of the Japanese authorities in China are feeding the international traffic and crossing the seas to poison other countries as well. The Advisory Committee is too familiar with this aspect of the problem for me to need to expatiate upon it.

The situation is so grave that I feel sure that this Committee will discuss it even in the absence of the representative of Japan. In any case, his presence could have done nothing whatever to improve the position. We know all too well the value of the assurances, promises and denials that representatives of Japan have repeatedly given to this Committee: they have never been followed by any effective co-operation on the part of the Japanese Government. That being so, the important thing for this Committee is not the presence of an unhappy, powerless Japanese representative, but a public debate that will let the whole world know what are the facts of the case and who are the parties really responsible. The only way in which a worldwide menace can be resisted is by thus arousing worldwide public opinion against it.

Mr. FULLER (United States of America) made the following statement:

Perusal of the Chinese Annual Report for 1937 leads me to believe that the members of the Committee will agree with me that the Chinese Government deserves great credit for having compiled, in the circumstances at present existing in China, a report as complete and as informative as this one.

We in the United States have practically no new information in regard to the narcotics situation in the areas of China under the control of the Chinese National Government. It may be mentioned, however, that on December 6th, 1938, the Executive Yuan of the National Government passed regulations looking towards the eradication of the cultivation of the opium poppy and the smoking of opium in Szechwan province within a period of two years. I also have information that the Chinese National Government has issued a circular order to various provinces and cities in regard to the methods to be employed for the amelioration of the registered opium addicts in different periods. This order provides in part that those whose age is under 60 are required to have their smoking habit cured by the end of June 1940, after which no new smoking-licences shall be issued, and all registered addicts exceeding 60 years of age are required to break their habit before the end of the year 1940, when their smoking-licences will be cancelled.

In the Japanese-controlled areas of China, so great had been the increase in drug addiction during the past year that enormous quantities of Iranian opium have been imported into China to satisfy that addiction. The movements of opium and heroin into the Japanese-controlled areas have been made with as much secrecy as possible. Information in regard to the shipments has been most difficult to obtain and to verify. Nevertheless, it has been possible to ascertain the essential facts concerning the traffic in narcotics in China, which I shall endeavour to set before you to-day.

With your indulgence, I shall first briefly summarise the information which I presented here last year in my statements of June 13th and 21st, 1938, in regard to the traffic in narcotic drugs in Manchuria and Jehol and in other parts of China in 1937 and 1938, in which I stressed the following points:

1. With regard to Manchuria and Jehol, there had been no real or effective improvement during the preceding year in the conditions obtaining in respect of addiction, illicit import, illicit traffic or opium production.

2. In China between the Yellow River and the Great Wall, which has for some time past been controlled by the Japanese northern army, conditions were worse than they were the year before. Legal control lapsed in August 1937, and the illicit traffic increased. The Peiping “Provisional Government” took a hand in the narcotics situation soon after the establishment of that regime. By its Order No. 33 of February 24th, 1938, it rescinded the Chinese Central Government’s provisional anti-opium and anti-narcotic laws and regulations; and all persons who were being detained under those laws and regulations were promptly released from custody. The narcotics situation had become progressively worse.

3. In a period of fifteen months, 650 kilogrammes of heroin had been exported to the United States from the Japanese Concession in Tientsin by one group operating in this trade there. This amount was sufficient, as you will recall, to supply some 10,000 addicts for a year.

4. In Shanghai, control appeared to have broken down completely, except in the French Concession and in the International Settlement.

5. Huge quantities of Iranian opium were reliably reported to have arrived in North China, in Shanghai and in South China, consigned to Japanese firms and intended, in some instances, for Japanese army officers, while further large consignments were *en route* to those destinations under similar auspices, and still others were on order.

In those statements, I suggested that the Japanese representative ask his Government to investigate and report under the terms of Article 23 of the Convention of 1931 for limiting the Manufacture and regulating the Distribution of Narcotic Drugs on the facts therein brought to light. I regret to have to state that the Japanese Government has not yet submitted a report.

Since last June, the American Government has continued to receive from official sources additional alarming information in regard to the traffic in narcotic drugs in those parts of China controlled by Japan, as follows.

Manchuria and Jehol.

The Director of the Opium Section of the Municipality of Harbin informed the Press on May 4th, 1938, that the number of *unlicensed* opium-dens in the city of Harbin was estimated at about 1,000, as against seventy-six that were licensed.

The authorities in Pinkiang province (in which Harbin is located) estimated in June 1938 that in the province there were approximately 2,000 Japanese and Koreans addicted to opium, morphine or heroin.

The Dairen newspaper *Manchu Nichinichi*, on November 27th, 1938, reported that, in Dairen city alone, there were more than 1,000 Japanese men and women addicts, among whom are servants, geishas, housewives, clerks, salaried men and business men—in fact, people from all classes; that the cure of these people was a problem of no small proportions; and that it had been decided to draw up a “black list” of such addicts and to proceed with their cure as they came to hand. M. Sakui, Chief of the Sanatorium, was reported by the *Manchu Nichinichi* to have declared:

“Recently the number of addicts has again shown an increasing tendency. Especially notable is the fact that, in Dairen alone, the number of Japanese addicts has increased to over 1,000, whose broken bodies seen stretched out in the back alleys are a reproach to our country in these times of stress.”

The Opium Administration Section of the Department of People's Welfare of “Manchukuo” announced on August 23rd, 1938, that reports received from provinces and cities, in connection with the ten-year anti-opium campaign, showed that the total number of registered addicts in Manchuria and Jehol was 585,267.

The figures published in the *Sheng Ching Shih Pao* on December 21st, 1938, show that, between January 1st and November 1st, 1938, the bodies of 793 drug addicts were picked up in the streets of Mukden.

Owing to floods and other adverse conditions, the production of opium in Jehol during the year 1938 declined to 6,400,000 ounces (181,818 kilogrammes) according to a Chengte despatch to the *Sheng Ching Shih Pao* published on December 4th, 1938.

Information has come to me indicating that the Mitsubishi Company has been requested, in instructions issued from Tokio, to purchase in Iran 260 chests (18,907 kilogrammes) of Iranian opium to meet demands in Kwantung Leased Territory in addition to the 1,500 chests (109,080 kilogrammes) of Iranian opium which, it is reported, are being purchased this year by the “Manchukuo” regime, the two amounts to be imported in one shipment.

The Department of Finance and Commerce, People's Welfare and Industry, on January 1st, 1939, issued new regulations relating to the collection of opium in Jehol and Hsingan West provinces. I am informed that these new regulations are incidental to the contemplated enforcement, in June 1939, of a rise in the price of opium designed to increase revenue from this source by 3,200,000 yuan. In this connection, the Harbin Press has announced that the 1939 Special Budget for Opium Administration in Pinkiang Province amounts to 20,000,000 yuan, which represents an increase of 50% over the 1938 budget.

The general budget of “Manchukuo” for the year 1939, as translated from the text published in the *Manchukuo Government Gazette*, extra issue, December 23rd, 1938, discloses that the estimates for 1939 anticipate that receipts from the sales by the opium monopoly will increase from the estimated MY71,045,200 in 1938 to MY90,908,400, an increase of 28% and that the cost of raw opium purchased by the monopoly this year will be MY43,470,000 as compared with MY32,653,000 for 1938, an increase of 33.1%. These budget figures do not indicate that any serious effort is being made to eradicate the opium evil in “Manchukuo”. The sale of opium is still the second largest revenue producer for “Manchukuo”, being exceeded only by the receipts from Customs.

It is interesting to note that the representatives of the Chosen Government-General and of the “Manchukuo” regime, who met in conference at Hsinking on December 5th, 1938, are reported (document O.C.1564(j)) to have passed resolutions recognising the existence of illicit cultivation of the poppy in Manchuria, the smuggling of opium from Korea and the clandestine manufacture of morphine in poppy-growing districts.

direction to suppress the traffic in narcotics in the areas controlled by them ; and that, in fact, there is considerable evidence to show that many Japanese are deeply involved in the importing and sale of opium, heroin and other derivatives, including—according to some authorities on the subject—a group within the Special Affairs Organ of the Japanese military.

The alarming description given by Mr. Alcott of conditions in the Shanghai area is in large measure substantiated by information received from other reliable sources.

It is reliably reported that a big narcotic factory is to be established in Shanghai in the near future under the auspices of the well-known Takechio Drug Manufactures of Osaka, Japan, for the purpose of meeting "the scientific and medical requirements of China for narcotic drugs".

In addition to the 300 chests (21,816 kilogrammes) of Iranian opium which I reported last June as having arrived at Shanghai on April 22nd, 1938, I have to report further that a shipment of 820 chests (59,630 kilogrammes), said to have arrived at Macao between June 25th and 26th, 1938, was subsequently reported to have been carried to Shanghai in a Japanese vessel ; that, on September 21st, the Japanese steamship *Tongshan Maru* arrived at Shanghai from Taku and unloaded 600 bags of Jehol opium, which were transferred to Hongkew for transshipment to Nanking ; that Japanese transport No. 688 was reported to have unloaded at Wayside Wharf on October 24th 300 chests (21,816 kilogrammes) of opium which were transported to the Civic Centre at Shanghai ; that, on September 25th, the steamship *Shiangpao Maru* arrived at Shanghai and unloaded 15 chests of opium (1,087.8 kilogrammes) and 9 cases of heroin, each weighing nine catties (5 kg. 454), this cargo being removed to the Kungdah silk-spinning factory on Singapore Road ; that the steamship *Akagisan Maru*, which left Bushire on December 2nd, 1938, with 972 chests of Iranian opium destined for Macao, was reported to have proceeded from Macao to Shanghai and to have discharged there on or about January 27th, 1939, 600 chests (43,632 kilogrammes) of opium, which were said to have been transferred to the warehouse of Mitsui Bussan Kaisha in the International Settlement ; and that on February 23rd and 26th, 1939, respectively, the steamship *Tongshan Maru* and the steamship *Zinyu Maru* No. 3 arrived at Shanghai with cargoes of 2,900 chests (212,888 kilogrammes) and 800 chests (56,176 kilogrammes) respectively, totalling 3,700 chests (269,064 kilogrammes) of Iranian opium from Dairen, where the opium had been repacked in kerosene tins.

At the end of December 1938, it was estimated that the amount of opium consumed daily in Shanghai was approximately 5,000 taels, of which 2,000 taels were Iranian opium.

It was reported that, in February 1939, opium and narcotics continued to be sold freely in the areas immediately adjacent to the International Settlement and French Concession and in all the larger cities under Japanese control in the provinces of Kiangsu, Anhwei and Chekiang. There were no indications that the Japanese or their sponsored regimes were attempting to suppress this growing traffic.

In connection with the situation existing at Shanghai, I desire to draw attention to the continuing disparity in the punishment imposed upon narcotics offenders by the Japanese and Chinese courts in Shanghai, respectively. This may be illustrated by the following specific cases. One Tetsuzo Yanagawa, Japanese, who was arrested in Shanghai on April 12th, 1938, in possession of 25 ounces (710 grammes) of heroin, made a statement to the effect that she purchased the package in Nagasaki, Japan, with the intention of selling it in Shanghai at a substantial profit. She arrived in Shanghai with the drug in her possession on April 7th, 1938, aboard the steamship *Nagasaki Maru*. She was fined 30 yen (27 Swiss gold francs) in the Japanese consular court on May 26th, 1938, on a charge of attempting to sell 25 ounces of heroin.

On the other hand, on April 22nd, 1938, one Dong Ts Lien, Chinese, was arrested in Shanghai in possession of 25 ounces (710 grammes) of heroin of Japanese manufacture. On May 7th, 1938, he was sentenced in the Shanghai Special District Court to life imprisonment for being found in possession of heroin with intent to sell.

Hankow.

I have information that the regime sponsored by the Japanese at Hankow has instituted narcotics regulations designed (1) to obtain revenue, and (2) to facilitate the consumption of opium and other narcotic drugs by Chinese.

The sale of opium under the auspices of the Opium Suppression Bureau, a branch of the Wuhan Peace Maintenance Association, was commenced at Hankow during January 1939. On January 28th, 1939, the *Wuhan Pao* published regulations governing the sale and smoking of opium in Wuhan. All authority for the issuance of licences to opium dealers, retailers and smokers is vested in the Bureau. There appears to be no limit to the number of dealers who may be licensed. According to reports from fairly responsible sources, a large number of places both for the sale and smoking of opium have been opened in the so-called Chinese Section of Hankow (refugee zone and adjoining sections).

It has been reported to me that the number of registered opium-dens in Hankow increased from seventy in January 1939 to more than 400 at the end of March 1939 licensed by the Japanese-sponsored Government, that, early in March 1939, the Mitsui Bussan Kaisha, which, apparently with the sanction of the Japanese military, has a monopoly of the opium traffic in the Wuhan district, and which supplies the Chinese wholesale dealers who operate under the control of the Wuhan Peace Maintenance Society sponsored by the Japanese, imported into Wuhan via Shanghai a shipment estimated at over 100 piculs (13,333 lb.) of Manchurian opium, 15 piculs (667 lb.) of which are reported to have been taken by the local wholesale

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UNITED STATES TREASURY DEPARTMENT



OFFICE OF
THE ATTACHE
SHANGHAI

China ✓

June 3, 1940.

9514
(1 page.)

CONFIDENTIAL MEMORANDUM

DMB

OPPIUM CULTIVATION IN CHAHAR AND SUIYUAN

In the territories of the provinces of Chahar and East Suiyuan, inhabited by at least two millions of Chinese peasants, the cultivation of "white" poppy was drastically and completely suppressed in 1905-1906 by order of the Emperor's Government. In that region there was absolutely no poppy to be seen during a period of thirty years except for one single year, when the famous Chang Tso-lin, Governor of Mukden, was in power in Peking. But in 1936 when the troops arrived from Manchukuo to impose Japanese advisors (Hu-wen) on every official (Hsien-chang), the cultivation of the poppy was introduced everywhere. In the beginning there was no strict sanction imposed but there was moral pressure to induce the peasants to fall in line. There were then many exceptions, especially among Catholics, because it was prohibited by their conscience. Last year the pagans themselves were in favor of suppressing the poppy in 1940 because they had to sell the drug to the authorities at a very low price. As a result, the authorities have recently (spring of 1940) obliged all the peasants, including the Catholics, to cultivate the poppy on at least eight mow out of every hundred mow of their land, and all were forced to obey. (1 mow equals 1/6 acre).

The boundaries of cultivation are approximately as indicated in a previous report, namely - Chahar, from the Great Wall north to Dolonor (Tulun - border Jehol, Lat. 116° 30' - Long. 42° 30'), where the Mongol settlement begins, and East Suiyuan all the way north to the Gobi Desert. In 1939 the cultivation extended as far south as Suanhwa (宣化), (Lat. 115° - Long. 40° 30'), which is about 20 miles southeast of Kalgan.

W. R. ...

M. R. ...
T.A

INTERNATIONAL MILITARY TRIBUNAL FOR THE FAR EAST

THE UNITED STATES OF AMERICA, et al.)
)
 - vs. -) AFFIDAVIT
)
 ARAKI, SADA0, et al.)

I, OIKAWA, Genshichi, do swear on my conscience that the following is true:

From April 1940 until April 1941, I was the Vice President and Director of the Political Affairs Bureau of the KO-A-IN branch office at Shanghai, China, and from April 1941 until November 1942, I was Director of the Political Affairs Division and President of General Affairs of the Central Office of the KO-A-IN in Tokyo. The KO-A-IN was established in December 1938, with the head office in Tokyo and four branch offices, respectively, at Shanghai, Peiping, Amoy and Kalgan. There were two sub-branch offices, one each at Canton and Tsingtao. The Tokyo office had four divisions, the Political Division, Economical Division, Cultural Division and Technical Division. The local branch offices had three departments, political, economic and cultural departments. The Premier was the president of the KO-A-IN, and the Ministers of War, Navy, Finance and Foreign Affairs were the vice presidents. The other ministries were represented on the Board by personnel other than the minister himself. The purpose of the KO-A-IN was to improve the economic, cultural, political and technical situations in China. When a decision was made by the Central office of the KO-A-IN it was communicated to the branch offices, who in turn would take the matter up with the local Chinese government. When an agreement had been reached in the manner of effecting the decisions made in Tokyo, the technical advisors on the staff of the KO-A-IN would then aid the local Chinese government to carry out the decision. After the establishment of the Nanking government in November 1940, negotiations were handled by the Foreign Ministry and the Chinese government. Since the Foreign Ministry did not have any technical experts, the KO-A-IN continued to function as it had before the establishment of the Nanking government in effecting the decisions made in Tokyo.

Between the branch offices of the KO-A-IN and the local military commander there were established liaison officials. When I was in the Shanghai office of the KO-A-IN, decisions made in Tokyo were communicated to Shanghai for execution in the Shanghai area. Decisions relating to the military were in addition communicated through military channels to the local military commander. As a result, there was interference between the KO-A-IN and the military. Local military commanders had as part of their staff a Special Service Organization for effecting economic, political and cultural matters.

My knowledge of opium and narcotics is limited to the production of opium in Mongolia. The chief revenue income available to the Mongolian government resulted from the production of opium in that area. The KO-A-IN studied the needs of opium in different parts of China and arranged for the distribution of the opium from Mongolia to North China, Central China and South China. This distribution was done through Chinese organizations.

/s/ OIKAWA GENSHICHI
 OIKAWA, Genshichi

Sworn to and subscribed by the above-named OIKAWA, Genshichi before the undersigned officer at the War Ministry Building, Tokyo, Japan, this 25th day of July, 1946.

/s/ John Hummel
 Major J.A.G.D.

C E R T I F I C A T E

I, YAMASAKI, Seiichi, HEREBY CERTIFY That I am fully conversant with the Japanese and English languages, and that I, this day, read the foregoing Affidavit to the above-named OIKAWA, Genshichi in Japanese, and in so doing, truly and correctly translated the contents thereof from English into Japanese; and that said OIKAWA, Genshichi stated to me that the contents of said Affidavit were the truth, and that he was willing to sign said Affidavit under oath; and that said OIKAWA, Genshichi was duly sworn in my presence and signed said Affidavit under oath in my presence; and that all proceedings incidental to the administration of said oath and the signing of said Affidavit were truly and correctly translated from Japanese into English and English into Japanese and fully understood and comprehended by said Affiant.

Dated this 25th day of July, 1946, at Tokyo, Japan.

-- /s/ Seiichi Yamasaki --
YAMASAKI, Seiichi

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TREASURY DEPARTMENT
BUREAU OF CUSTOMS
INVESTIGATIVE UNIT
TREASURY ATTACHÉ
CARE OF AMERICAN CONSUL

DEPARTMENT
COPY

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P1

SHANGHAI, CHINA

May 9th, 1936.

Commissioner of Customs,
Division of Customs Agents,
Washington, D. C.

Sir:

There are enclosed herewith for the information of the Bureau and other interested Departments copies of a report on heroin manufacture in Chahar and Jehol.

Respectfully,

Em. ~~reborn~~

For the Treasury Attache

May 4, 1936.

9517
P2

HEROIN MANUFACTURE IN CHAHAR AND JEHOL.

General Tang Yu-lin (湯玉麟), chairman of the Jehol Provincial Government before the Manchurian Incident in 1931, was the first to open a heroin manufactory in Chengteh (承德) with his own capital. He ordered all the opium produced in Jehol to be sold only to the manufactory at a fixed price of two dollars per tael in Jehol provincial notes or at \$1.10 in coins. The opium of neighboring provinces was also purchased since Jehol could only produce about 5,000,000 taels a year of which over 200,000 taels had to be used each month in the factory. Forty packages of heroin were produced every day at a value of \$700 each. It was due to this enterprise that Tang became a millionaire after a few years.

Following the Manchurian Incident, the Four Eastern Provinces were lost in succession and finally Tang was forced to quit his post. Consequently, the heroin factory was taken over by a Japanese merchant, Sakata Kumi (坂田組). At the same time the Taiwan Kosi Company (大満公司) was organized for buying opium. Not only the opium of Jehol was bought in great amounts but large quantities of opium from Kansu, Suiyuan, Chahar and Shensi were also purchased. Poppy seeds were distributed among the peasants who were forced to grow them. The amount of opium and heroin production in Jehol has now increased three to four times as compared with figures of years past. The heroin made in Jehol is exported for sale inairen, Tientsin and Shanghai.

Since the invasion of the six hsien of North Chahar by Japanese troops, Sakata Kumi has set up a branch of his company at Kalgan. The new branch has 170 workers and can produce eighty packages of heroin daily, each package having a net weight of eighteen taels and a value of 600 dollars. The capital of the Kalgan Branch is placed at \$100,000 with ten shares of \$10,000 each. An extra share has been presented to the Japanese Consulate. It is said that the Chahar Provincial Government has also participated in the business, but the statement is not verified.

An analysis of opium from Shensi, Kansu, Suiyuan, Jehol and Chahar has shown that of Kansu to be the most suitable for making heroin because of its good flavor, cheap price and capacity to yield a greater amount of heroin. The opium of Shensi and Suiyuan are also of good flavor, but it contains less heroin constituency than Kansu opium. The price of Chahar and Jehol opium prevents any wide use of it for manufacturing heroin. Opium of the other three provinces is so often mixed with other elements that the manufacturer must examine it before purchase is made.

In the Kalgan branch of Sakata Kumi, there are over forty large water-jars, well and pump, twelve wooden compressors, eighty stirring sticks, fifty filters, forty large wooden buckets, sixty wooden ladles, several hundred cloth bags and large quantities of lime, "industrial paper", and other things necessary for the purpose.

The process of making opium into heroin is as follows:

Place opium in jar of water for a week and let it dissolve. Add lime

*This would be Grade
Bao - not heroin.*

(nine parts of opium with one part of lime) into jar and stir with stick for forty minutes until lime and opium become thoroughly mixed. Use ladle to put mixture into cloth bag which is placed under the compressor, and then press the latter to force the juice out of the bag. Then pour the dregs of the bag into the jar and again stir it with stick. The mixture is once more placed in bag and pressed again. Repeat this process several times until no opium element is left in the dregs. Then put "industrial paper" on the filter and pour juice on the paper to let it filtrate. When the juice all flows out, the grey matter found coagulated on the paper is heroin. By permitting this to dry, the process is complete.

NARCOTICS**"SIGNED STATEMENT OF WITNESS, Kuo Yu-San**

"I was the Manager of the Sin-Yi-Tsan, Peiping, from May 1944 to January 1945. So far as I know, there were in Peiping, during the Japanese occupation, around 247 opium dens, 23,000 registered or licensed opium addicts, 80,000 unregistered opium addicts, and 100,000 people who casually came to smoke opium. Opium was not sold openly prior to the Marco-Polo Bridge Incident. Just a few months after Japanese occupation, the sale of opium was legalized, during the period of so-called Local Maintenance Association. Those who entered into the business of establishing opium dens were required to get license, at the beginning from the Bureau of Taxation on Tobacco and wine, and later from the Board of Opium Suppression. The said Board secured its stock from the Meng-Kiang Opium Corporation. The Opium Dens in Peiping were classified into Class A, B and C. The Sin-Yi-Tsan Opium Den, of which I was once the Manager, belonged to Class B. Each month, a sum of \$100 F.R.B. (currency under the puppet Government) had to be paid, later it was gradually increased up to \$1,200 F.R.B. per month. Class A opium dens had to pay double, and Class C paid only one half of it.

"All opium dens received orders, from the Japanese Gendarme through the Guild that no Japanese was allowed to smoke opium there. From time to time, Japanese Gendarmes used to drop in and search. If any Japanese were found to be there smoking opium, he would be immediately thrown out, sometimes even giving him severe beating, and the manager would be severely warned that such cases should never occur again.

"Before Japanese occupation, the opium addicts in Peiping were rather few and they smoked opium in their homes only. The number of addicts after the occupation must be ten times more than the addicts before the occupation.

"The Board of Opium Suppression, under the domination of Japanese advisor therein, was not to suppress opium at all, but to legalize the selling of opium.

"Though there were Chinese who participated in the Meng-kiang Opium Corporation, but the Japanese had everything in control. I did not know much about the said corporation, since the den under my management bought opiums from the Guild and had no direct contact with the said Corporation.

"The above statement are all facts, for which I will stand as witness and am willing to receive any due penalty for falsehood found therein.

| | |
|--------------|--|
| Name | (Signed and sealed) Kuo Yu-San |
| Sex | male |
| Age | 39 |
| Native place | Peiping |
| Occupation | Chief, Motor Transportation Department, Yeeh-Sing Co. 3, Shuai-Fu-Yuan, Morrison Street, Peiping |
| Address | 34, Chang-Chui-Ying, Outer 5th District, Peiping |

Before making the statement, the above named was told the meaning of signing an affidavit, and the punishment for malicious accusation and false testimony. After the statement was made, it was shown and read to him and was acknowledge by him as correct.

Investigator (signed) Henry Chui
Chinese Division, IPS

Date 22 March 1946, at the Peking Hotel, Peiping

"I was an employee at the Jubg-Fa Opium Den, in Peiping, since September 1943. I hereby testify that the above statement made by Kuo Yu-San, the ex-manager of the Sin-Yi-Tsan Opium Den, concerning the open selling of opium under Japanese occupation, is a statement of facts. I am willing to receive any due penalty for falsehood found in the said Statement as a witness who falsely testified.

| | |
|--------------|-----------------------------------|
| Name | (signed and sealed) Kung Hai-Ting |
| Sex | male |
| Age | 48 |
| Native place | Tso-Chang Hsien, Hopei Province |
| Occupation | |
| Address | 5, Pei-Chi-An, Outer 2nd District |

Before making the statement, the above named was told the meaning of signing an affidavit, and the punishment for malicious accusation and false testimony. After the statement was made, it was shown and read to him, and was acknowledge by him as correct.

Investigator (signed) Henry Chui
Chinese Division, IPS

Date 22 March 1946, at the Peking Hotel, Peiping



TREASURY DEPARTMENT
BUREAU OF CUSTOMS
INVESTIGATIVE UNIT
TREASURY ATTACHÉ
CARE OF AMERICAN CONSUL

395
DEPARTMENT
COPY

SHANGHAI, CHINA

9512
PI

June 8th, 1936.

Commissioner of Customs,
Division of Customs Agents,
Washington, D. C.

Sir:

There are enclosed herewith for the information of the Bureau and other interested Departments copies of a report, entitled, "The Drug Menace in the Six Heien of North Chahar since their Fall."

Respectfully,

A handwritten signature in cursive script, appearing to read "E. H. Jacobson".

For the Treasury Attaché

June 6, 1936.

9512
P2

THE DRUG MENACE IN THE SIX HSIEN OF NORTH
CHAHAR SINCE THEIR FALL.

Since the six hsien of Tolun (多倫), Paoshang (寶昌), Kuyuan (沽源), Kungpao (康保), Shangtu (商都) and Changpeh (張北) in North Chahar were taken by Li Shou-hsin's (李守信) troops through the scheming of Japanese, drug traffic has been extensively carried out by the Japanese and Korean ronins in this region.

Of these six hsien, Tolun is the richest. It became a commercial port in 1914 and has seen prosperous trade since. In the city are two large Lama temples, Loitsung (察素齊) and Shanyin (善因), in each of which are several thousand lamas. Except for the Bodala Temple (布達拉) of Thibet, no other temple can surpass them in grandeur and magnificence. During the fixed period for worship, many thousands of Mongolians come from far and near to offer their prayers. In respects both economic and religious, Tolun must be regarded as the center of North Chahar. Li Shou-hsin's troops occupied the six hsien at a time when poppy seeds were being sowed. An opium monopoly bureau was established and regulations governing the monopoly of opium were issued.

The puppet troops under the command of Li Shou-hsin not only encouraged the peasants to increase their poppy sowing, but also started to carry out the "narcotization policy" in compliance with the will of the Japanese. Heroin shops were opened in each of the six hsien of North Chahar and manufactories for making morphine and heroin were set up in Tolun.

P

Recently a drug store under the name of Yitchera Kusai (牧原组) was established at Kalgan for the purpose of selling drugs to the ten hsien of South Chahar. Mr. Chang Yuan-yung (张元庸), Garrison Commander at Kalgan, could in no way prevent it.

The transportation of drugs from North Chahar to Kalgan and West Chahar is done on the Kalgan-Tolun and Kalgan-Kulun Highways, with puppet troops escorting the cars. The sales agents in these districts are mostly local rascals.

Statistical data concerning drug traffic in North Chahar are shown in the tables below:

Table I. Drug stores in the six hsien of North Chahar.

| <u>Name of hsien</u> | <u>Number of stores</u> | <u>Operator's nationality</u> |
|----------------------|-------------------------|-------------------------------|
| Tolun | 15 | Japanese |
| Paochang | 9 | " |
| Kuyuan | 12 | " |
| Changpeh | 9 | " |
| Kangpao | 6 | " |
| Shangtu | 5 | " |

Table II. Price of heroin in Kalgan and the six hsien of North Chahar.

| <u>Name of place</u> | <u>Price of heroin per tael</u> |
|--|---------------------------------|
| Tolun | \$37.00 |
| Paochang, Kuyuan, Changpeh, Kangpao and Shangtu. | \$27.00 to \$38.00 |
| Kalgan | \$45.00 |

Table III. Drug companies in Kelgan.

| <u>Name of company</u> | <u>Location</u> |
|---------------------------|-----------------|
| 1. Yitahara Kumiai (板原組合) | The new market. |
| 2. Koto Yoko (華東洋行) | |
| 3. Toko Yoko (東興洋行) | |
| 4. Yasuto Yoko (太知洋行) | |

Chahar & Suiyuan 95



OFFICE OF
THE ATTACHE
SHANGHAI

UNITED STATES TREASURY DEPARTMENT

China

H. R. Kilders

CONFIDENTIAL MEMORANDUM

July 16, 1940

JWB

OPIUM CULTIVATION IN CHAHAR AND SUIYUAN

Further in regard to the opium situation in Suiyuan, a thoroughly reliable foreign source states that opium is being cultivated there this year on the largest scale ever - as formerly stated, under compulsion by the Japanese authorities. (Please see reports of May 27th and June 3rd).

The Suiyuan production in a manner takes the place of the former tremendous cultivation in Kansu, where now regular crops have superseded the white poppy. The Suiyuan farmers, although many of them would rather produce grain owing to the food shortage, were first encouraged, early this year, then forced, to plant opium.

The encouragement by the Japanese authorities took the form of pamphlets dropped over the Chinese farm lands from aeroplanes, exhorting the farmers to grow poppy; the distribution of free seed for the raising of opium plants; and the extending of easy facilities for transporting the opium to Kweihwa, where a large number of shops, run by Chinese, receive the product for reshipment to Kalgan, which is still the main center through which the opium of the "Mengchiang" region passes. There are approximately forty such shops now in Kweihwa. The Japanese do not exact any special taxes from the poppy-growing farmers, only the ordinary land-tax which they would have to pay anyway. The farmers receive \$4 per ounce of opium delivered to the Kweihwa shops--the dollar in this case being the "Mengchiang" dollar, which is on a par with the Federal Reserve Bank dollar used in North China. The poppy capsules are being cut just at this time, July.

Amstrong
H. R. Kilders (2) ✓

9515
P2

-2-

My informant said he had no idea where the Suiyuan opium goes from Japanese hands at Kalgan, but it is his opinion* that the production in the general Mongolian area is so huge that the drug must, in large measure, be destined for export. It is the Chinese living in Suiyuan, Charhar, etc., not the Mongols, who produce opium. The Mongols, for one thing, do not have the confidence of the Japanese, and vice versa.

Opium sells in Peiping for \$18 to \$24 per ounce (FRB dollars). How openly it is dispensed may be expressed by pointing out that the famous Tung An Shih Ch'ang, or Morrison Street Market, where many foreigners go, has a public smoking den, which any passerby may inspect, adjoining a big restaurant.



TREASURY DEPARTMENT
BUREAU OF CUSTOMS
INVESTIGATIVE UNIT
TREASURY ATTACHÉ
CARE OF AMERICAN CONSUL

DEPARTMENT
COPY

SHANGHAI, CHINA

July 30, 1936.

Commissioner of Customs,
Division of Customs Agents,
Washington, D. C.

Sir:

There are enclosed for the information of the Bureau
and other interested Departments copies of a report entitled :
"Japan's Narcotization Policy in North China."

Respectfully,

M. R. Nicholson
Treasury Attaché.

Encl.

MRH:J

July 27, 1934.

9518
P2

JAPAN'S NARCOTIZATION POLICY IN NORTH CHINA

Since the conclusion of the Tangku Pact and the establishment of the Demilitarized Zone, the Chinese government has been unable to suppress drug traffic by force and the whole province of Hopei is left for Japanese to carry out their narcotization policy in North China. The cause of such an extensive drug menace should not be accounted for merely by the profit-making desire of traffickers or the great number of addicts. Mere suppression work would be useless in exterminating such a deeply-rooted evil which has assumed its widespread character from a preconceived plan instead of a common origin.

The total farming population of Hopei is estimated at 27,000,000 of whom over 5,000,000 are believed addicted to drugs. More drugs are sold in Tangshan (唐山), Shihchiachung (石家庄), Chingyuan (清苑), Lincheng (新城), Fencheng (涿镇), Yuan (固安) and Yungching (永清) than the other districts. During the month of May over seventy drug traffickers were put to death. In Peiping during the four months from January to April over seven hundred cases concerned with highly potent drugs were discovered. These are shown in the table below:

Table I. Drug cases in Peiping from January to April:

| <u>Month of month</u> | <u>No. of cases</u> | <u>No. of opium cases</u> | <u>Male</u> | <u>Female</u> |
|-----------------------|---------------------|---------------------------|-------------|---------------|
| January | 119 | 132 | 117 | 15 |
| February | 119 | 133 | 123 | 10 |
| March | 309 | 455 | 426 | 29 |
| April | 265 | 354 | 326 | 28 |

Drugs formerly sold in North China were mostly imported from Suiyuan and Chahar. The drug originating in Suiyuan is called "Chiangtze" (漿子) and that produced in Chahar is called "Peitu" (北土). Recently both of them have been replaced by a drug imported from Dairen which is lower in price and higher in effect. Japanese have established companies at Sincheng (新城), Hsulu (東鹿), Tso Hsien (涿縣) and Shichihachwang for the sale of the Dairen drug which is transported to the inland cities by way of the Lunghai and Peiping-Hankow railways. The price varies from \$2.50 to \$3.50 per tael. It is reported that about one million taels are sold every month at a value of over three million dollars. In Tientsin alone, about \$300,000 worth of heroin is exported monthly to the inland cities. Korean drug manufacturers are to be found nearly everywhere in Peiping and are not subject to search by Chinese police except under special conditions. Regardless of restrictions on the exercise of their power, police of Peiping discovered four drug cases in March and five in April.

All kinds of high-power drugs, such as heroin, morphine, golden pills, white pills, caffeine, milk sugar, cocaine, etc., can be found in Peiping. Various kinds seized at different periods are given in the following tables.

Table II. Drugs seized in February, 1936.

| <u>Name of drug</u> | <u>Amount</u> |
|---------------------|---------------|
| Heroin | 77,812 taels |
| Golden pills | 410 " |
| Other narcotics | 12 " |

Table III. Drugs seized in October, 1935.

| <u>Name of drug</u> | <u>Amount</u> |
|---------------------|---------------|
| Morphine | 2.35 taels |
| Caffeine | 680.00 " |
| Other narcotics | 10.25 " |

Table IV. Drugs seized at other periods.

| <u>Name of drug</u> | <u>Amount</u> | <u>Time of seizure</u> |
|---------------------|---------------|------------------------|
| Milk sugar | 132.01 taels | June, 1935 |
| Cocaine | 120.00 " | October, 1934 |
| Other drugs | 16.60 " | August, 1934 |

During the time when Mr. Yuan Liang (袁良) held office as mayor of Peiping, opium and drug suppression work was strictly carried out. Such drug criminals as Yin Huan-jen (殷煥然), head of the Public Safety Branch Bureau in Peiping, Maich Hsi-chih (薛義之), known as "king of heroin," and Wang Tu-sen (王大森) a doctor who mixed drugs in analgesic pills, were all executed. When Mr. Yuan was succeeded by Mr. Ching Te-chun, the suppression of opium and drugs was continued with great force, but hindrances caused by Japanese renins prevented satisfactory results. The number of drug criminals condemned by the Public Safety Bureau during May is given in the following table:

Table V. Sentences served by drug criminals in May.

| <u>Sentence</u> | <u>No. of criminals</u> |
|----------------------------|-------------------------|
| Summary execution | 5 |
| Fifteen years imprisonment | 2 |
| Twelve " " | 4 |

| | |
|----------------------------------|----|
| Five to eight years imprisonment | 9 |
| Over four years imprisonment | 11 |
| " three " " | 69 |
| " two " " | 55 |

On May 1st the Peiping-Tientsin Inspection Bureau for the suppression of opium was established with Mr. Tai Wei (齊為) as the head, but the opposition of officers of the 29th Route Army caused the bureau to be abolished and replaced by the Hopei-Chahar General Inspection Bureau with Mr. Ke Chih-han (葛之翰), Commissioner of Finance in the Hopei-Chahar Political Council, in charge. There are five licensed opium firms in Peiping and thirty-eight in Tientsin. Formerly the opium shops were allowed to offer smoking conveniences for the addicts, but the formation of the Hopei-Chahar General Inspection Bureau put an end to this practice. However, this regulation is restricted to only Chinese-operated shops, Japanese or Portuguese-owned shops being free to do as they like in a defiance of Chinese laws.

The seriousness of conditions in Peiping may be seen from the following cases which took place in one day.

(1) A person addicted to heroin but too poor to afford smoking implored his wife to pose as his sister and flirt with a stranger. By this means the addict exacted a sum of money from the latter to whom the wife was later married. After the marriage, the wife told the truth to her second husband because of his love for her. A litigation followed as a direct result.

(3) A heroin addict arrested last year and cured in the reformatory was recently freed to soon become re-addicted. As a means to obtain money for smoking, he resorted to stealing and was again arrested.

(5) A rickshaw puller addicted to heroin sold his son and daughter for twenty dollars so that he might have money to satisfy his craving. The grief-stricken mother was unable to face such sorrow and drowned herself.

(4) A man found his wife dead in bed because her craving for drugs had not been satisfied.

From an investigation made in a Peiping street, it was found that only five houses out of more than twenty households were completely free from the drug habit. Six lodgers out of twenty in an apartment on the same street were addicted to drugs. Two of the unfortunates were graduates of a private university.

No. 77.

Shantung
399
9520
PI

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN CONSULATE

Tsinan, China, December 9, 1940.

SUBJECT: CULTIVATION, SALE AND USE OF OPIUM
IN THE TSINAN CONSULAR DISTRICT.

THE HONORABLE
THE SECRETARY OF STATE
WASHINGTON

SIR:

I have the honor to acknowledge the receipt of the
Department's instruction of August 27, 1940, file 893.114/
Narcotics, enclosing a photostatic copy of an item which
appeared in the August 19, 1940 edition of the Christian

~~Science~~

Science Monitor, concerning the cultivation of the opium poppy in North China. The Department desires to receive from this office any information on this subject which may become available from time to time.

In as much as, under instructions from the Embassy, the narcotic situation in the various consular districts is dealt with briefly in the Monthly Political Reports prepared by consular offices in China and in view of the meagerness of the information available locally on the subject, this office has not recently submitted any separate reports in the premises but has merely included such data as has come to its attention in its Monthly Political Reports (copies of which are regularly sent to the Department).

The information which has become available to the Consulate, however, and which has been included in its Monthly Political Reports during the current year, tends in general to substantiate the statements made in the article published by the Christian Science Monitor. For convenient reference, the pertinent sections of the reports in question are quoted below:

Monthly Political Report for March 1940:

"Aside from the 'face-saving' feature of the gesture, the 'Provincial Government's' order, issued in March, prohibiting the cultivation of the opium poppy is apparently designed merely to facilitate the collection of 'opium cultivation taxes' on land used for growing poppies by providing the tax collectors with the necessary legal weapon with which to enforce their demands. The order does not abolish the 'opium cultivation tax' of local \$48 per acre, nor does it affect the importation, sale and use of opium under a license-taxation system."

Monthly Political Report for April 1940:

"The quasi-official press recently carried an article from which the following is extracted:

'As a result of investigation it has been found by the Provincial Government that in spite of repeated instructions prohibiting the cultivation of opium poppies the area under cultivation has actually increased over that of last year. For the fundamental suppression of opium cultivation new regulations governing the procedure for such suppression have been drafted and circulated among the various Magistrates.... It is to be understood that the action taken is not an attempt at the raising of funds or the increase of tax collection but a measure for the extirpation of the opium evil.'

The last sentence quoted above reminds one of the proverbial small boy's denial of having stolen the plums before being accused thereof.

"Foreign travellers report that the cultivation of opium poppies is confined very largely to the Japanese-controlled areas of Shantung, in addition to which information reference is made to the comment contained on page 8 of this office's Monthly Political Report for March 1940."

Monthly Political Report for May 1940:

"Latest reports indicate that the only flourishing crop in the district is the opium poppy. An American resident in Tsining, Shantung, reports:

'Only one crop is in good shape, and that is the poppy plant for opium. I have never seen so much of it in all my years in China put together as we see this year. Our city is surrounded with it, even to inside the suburb walls. Throughout the country, wherever one turns, one sees the fields in full bloom. It is all irrigated and hasn't suffered from the drought.'

~~From Weihsien, on the Tsingtao-Tsinan Railway, comes the following report from an American source:~~

~~'I know the poppy is being extensively cultivated.... I have seen that with my own eyes.'~~

"It is reliably reported that because of severe criticism in Chinese circles the puppet Governor has seriously tried to curb the cultivation of opium, but that he was opposed (and it goes without saying, successfully) by the Special Service Section of the Japanese Army. That the Japanese military are partial to opium addicts in the selection of puppet officials is obvious from the number of smokers of 'big tobacco' now holding public office.

"It is further reported that new measures encouraging the cultivation of the opium poppy and providing for the payment of taxes in connection therewith have been devised by the Hsin Min Hui and that they will be carried into effect in the near future."

Monthly

Monthly Political Report for June 1940:

"The following is a free translation of an article which appeared in the June 28th edition of the quasi-official SHANTUNG HSIIN MIN PAO:

'For the extermination of the opium poppy in the various districts, stern regulations have been prescribed and promulgated to the people through the magistrates. Officials have also been dispatched to the various districts to conduct personal investigations and report in cooperation with the magistrates. On June 22nd a meeting of the investigators was held at the Provincial Government Headquarters, at which they reported that aside from the poppies destroyed, those remaining were withered from drought. Being poor farmers, the growers were not in a position to replace the poppies under cultivation with other crops and were not deliberate in infringing the regulations. Such being the case, the growers of opium poppies voluntarily reported their illegal pursuits and implored the authorities to reduce the penalties, pledging that their misdemeanor would not be repeated next year. In the light of the above situation and as a result of discussions with the parties concerned, it was believed that if a fine of \$500 to \$800 per mu were to be imposed in accordance with the prescribed regulations, it would be exceedingly difficult for the people to bear the burden. Consequently, a reduction of the fines was recommended.

'Under the above-mentioned circumstances Governor T'ang made the proposal that a fine of \$100 be imposed on the growers of opium poppies for each mu of land where the poppies had not been destroyed. Officials would be dispatched again to conduct a second investigation. In case opium poppies secretly cultivated and not reported to the authorities were discovered, a fine of \$300 would be imposed on the growers for each mu of land and the competent magistrate would be punished appropriately. The proposal was passed by the 153rd Political Council and will be promulgated through the magistrates. If growers of opium poppies are discovered next year they will be punished in accordance with the 260th article of the Criminal Code.'1

(1. Article 260 of the Criminal Code provides for deprivation of civil rights as punishment for certain offenses.)

"This reduction of 'fines' for the cultivation of the opium poppy from local \$500 to \$800 per mu to local \$100 to \$300 per mu would seem to be an encouragement to growers of the plant. It is not believed that any serious effort to curb or to prevent the cultivation of the opium poppy is likely to be made by the Japanese-directed 'Provincial Government' next year or at any time during its reign. It is significant that, according to foreign observers, the poppy is not extensively grown outside the Japanese-controlled areas of this consular district."

Monthly Political Report for August 1940:

"A local foreign businessman estimates the volume of opium sales in Tsinan at FRB \$5 million monthly. This drug is being consumed by the middle and upper classes, as it is priced beyond the means of the average coolie (or laborer). But even the latter may have his own narcotic thrills ~~(if such they be)~~, since he is able to obtain at prices within his means heroin and other drugs, on the sale of which the livelihood of hundreds of Japanese and Korean residents of this city is wholly or partially dependent."

Monthly Political Report for November 1940:

"The following information and comment on the opium situation in Shantung was obtained from a reliable source:¹

Amount of opium taxes collected by Tsinan authorities during the period January 1 to November 30, 1940 FRB* \$262,057.27

Number of shops selling raw opium in Tsinan and elsewhere in Shantung, excluding Tsingtao and Chefoo 29

Number of shops selling opium paste in Tsinan and elsewhere in Shantung, excluding Tsingtao and Chefoo 198

Quantity of raw opium imported at Tsinan from Peiping during first 11 months of 1940, expressed in shih ounces** 248,116

Quantity of raw opium imported at Tsinan from Tientsin during first 11 months of 1940, expressed in shih ounces 21,182

Quantity of raw opium imported at Tsinan from the various districts in Shantung during first 11 months of 1940, expressed in shih ounces 71,440

Current price paid for raw opium imported from Peiping or Tientsin per shih ounce,, FRB \$25.00

Current price paid for raw opium imported from various districts in Shantung per shih ounce FRB \$20.00

*Federal Reserve Bank \$1.00 equals U.S. \$0.0777.

**1 Shih ounce equals 1.102 ounces avoirdupois.

"Governor' T'ang's opium-suppression policy, in which he is said to be sincere, has proved a failure. The Consolidated Tax Bureau here has been instructed by the 'Opium Suppression Bureau' in Peiping (a branch of which will be established in Tsinan on January 1, 1941) to issue decrees permitting the people to plant opium free from interference. Out of consideration for the 'Governor's' 'face', these decrees were not issued

in as much as his so-called opium-suppression policy lacked the approval of the Japanese and consequently never got beyond the talking stage.

"Now that the 'North China Opium Association' has been established in Peiping, all the shops selling opium in Tsinan are to be reorganized and incorporated into that Association (or monopoly). The local shops are to contribute FRB \$1,100,000 as capital investment in the Association, of which FRB \$550,000 has already been remitted."

Information on the narcotic situation which may become available to this office in the future will form the subject of separate despatches to the Department.

Respectfully yours,

Carl O. Hawthorne,
American Vice Consul.

811.4
COH:KCC/kcc

Original and 4 copies to Department,
Copies to Embassies, Peiping and Chungking.

