

Pearl Buck

with love if I may

Freda Uley

Pentkasia

July 1940.

JAPAN'S GAMBLE IN CHINA

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Freda Utley

(Author of "Japan's Feet of Clay," etc.)

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FOREWORD

IN *Japan's Feet of Clay* I presented a detailed study of Japan's peculiar social, economic and political structure. In this work I am concerned mainly with the causes and prospects of the present war, and I have outlined the situation in China on the eve of the war as well as recent political and economic developments in Japan. In Chapters IV and V I have summarised some of the results of those researches which were presented in *Japan's Feet of Clay*, since some knowledge of Japan is essential to an understanding of the causes of the present war, and to an appreciation of the effect which external pressure would be likely to have inside Japan.

Although this study does not pretend to be exhaustive, it is hoped that it may help to clear up some of the misconceptions concerning both the origins of the war and Japan's fundamental aims, and that it may give to those who have never studied the Far East an understanding of the issues in the Sino-Japanese war of 1937.

FREDA UTLEY.

LONDON, May 1938.

INTRODUCTION

MISS UTLEY'S book will not need any commendation from those who read it with care and with detachment. It comes from a writer who has made herself a distinguished authority upon the economic aspect of Far Eastern politics; and it has that care in documentation which characterises all Miss Utley's work. The reader who desires to understand the significance of the Sino-Japanese conflict can hardly do better than start from the materials here provided.

It is important for us to realise all that is at stake in this issue. Not only has Japan deliberately broken the solemn agreements out of which, twenty years ago, men began to hope for a world in which peace could be organised. Not only, further, has she so broken them as to inflict upon her victims a volume of suffering so intense that it is difficult to speak of the aggressor in terms of moderation. She has embarked upon a policy success in which will have disastrous consequences to the economic prospects of Europe and America. She aims (under various high-sounding euphemisms) at the reduction of

the Chinese people to the status of a vassal state. She would aid, by her victory, the dark forces of civilisation all over the world. The objects she has set before herself, the methods, also, by which she proposes to attain them, have made her defeat necessary not only to Chinese freedom but to that of the world outside China as well.

I hope, therefore, that Miss Utley's book will be widely read, and that it will awaken significant opinion in this country to the realisation of all that is at stake in the Far East. Miss Utley gives good ground for her view that the power of Japan has been greatly over-emphasised. She shows that this grim adventure in imperialism at its worst is largely the outcome of strains and stresses within Japan itself which its rulers hope to solve by the exploitation of China. The resistance of the Chinese is one of the few hopeful things in the international outlook to-day. Japanese aggression has produced in China a new unity and a national consciousness more profound than any in its modern history. It is an obligation upon all men and women who care to preserve standards of civilised behaviour to give to the Chinese all the aid and encouragement they can in the great struggle upon which they have embarked so bravely. If Miss Utley's book assists in that realisation, it will not have been written in vain.

HAROLD J. LASKI.

LONDON, *May 20th*, 1938.

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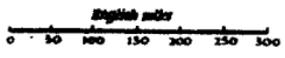
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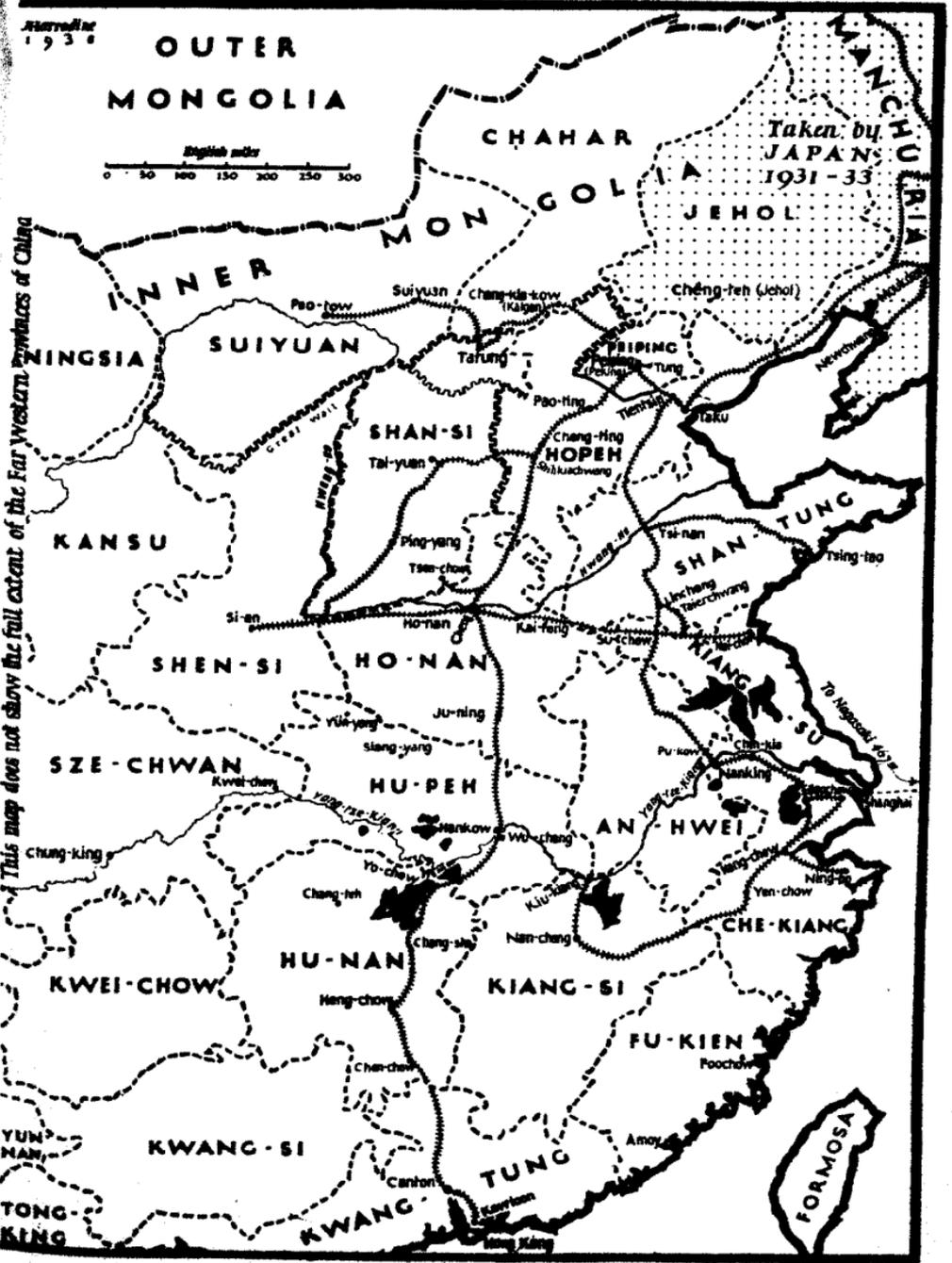
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OUTER MONGOLIA



Taken by
JAPANESE
1931-33

This map does not show the full extent of the Far Western Provinces of China



Chapter I

INTRODUCTORY: ORIGINS OF THE SINO-JAPANESE WAR OF 1937

THE fundamental cause of the present war is to be found inside Japan, in the social maladjustment and peculiar political system which make her the most aggressive of the powers and the permanent disturber of peace in the Far East. These fundamental causes are dealt with in Chapters IV and V. At the outset I am concerned to show the external causes and to outline the events which led up to the outbreak of war in July 1937.

Undoubtedly it was the growing unity and strength of China which caused Japan to make a final attempt either to conquer her great neighbour or to plunge her back into anarchy and powerlessness. Just as the primary aim of British policy for centuries was to prevent the political unification of Western Europe, so it has been the aim of the rulers of Japan, since the beginning of her modern history, to prevent the unification of China. In pre-Kuomintang days, when all China was ruled by war lords, Japan

did her best to hasten the process of disintegration in that unhappy land by subsidising war lords, supplying them with arms, and setting one against another. Even bandit chieftains who had not yet achieved the status of war lords got money from Japan, since they were assisting in promoting the state of complete anarchy which Japan wished to create. With the European powers engaged in mutual destruction, Japan could then step in to "restore law and order," and with Manchuria and the five Northern provinces as a Japanese colony, could hope to control the whole of China in her own interest. Unfortunately for Japan's ambitions the World War came to an end before she had been able to take full advantage of China's weakness.¹ Moreover, even such progress as she had made was set at nought by the Washington Conference of 1922. Joint American and British pressure

¹ Upon the fall of the Manchu dynasty in 1911 Britain, France, and Russia had backed Yuan Shi-kai as President against Sun Yat-sen and had provided him with funds (secured on the customs and the salt monopoly) which enabled him to defeat his opponents and outlaw the Kuomintang. He was, however, far too much of a "strong man" for Japan's liking, and, once left with a free hand in China, Japan proceeded to use it by presenting the Twenty-one Demands backed by an ultimatum, smashing Yuan Shi-kai and setting up a puppet Chinese regime of her own in Peking. China broke up into provinces ruled by various war lords, and only in the South was there the semblance of a nationalist regime under the Kuomintang.

forced her to disgorge the territory she had seized in Shantung and to release China from seventeen of the original Twenty-one Demands forced upon the powerless Peking government in 1915. Acceptance of these demands would have meant for China precisely what Japan is to-day seeking to impose upon her: the employment of "influential Japanese as advisers in political, financial, and military affairs"; Sino-Japanese administration of the police in China, and a multitude of other concessions which would have turned China into a Japanese colony.

Japan and the other signatories of the Nine Power Treaty, as is well known, promised to "respect the sovereignty, the independence, and the territorial and administrative integrity of China," to preserve the Open Door to the trade of all countries in China, and to "refrain from taking advantage of conditions in China in order to seek special rights or privileges which would abridge the rights of subjects or citizens of friendly states."

A few years after the signature of the Nine Power Treaty the Kuomintang party in China had consolidated its power in the South and had won the support of the progressive elements all over China. In 1926 its armies, led by Chiang Kai-shek and powerfully supported by the Communists, swept north to the Yangtze. The British government sent an expeditionary force to Shanghai to

protect its interests, but Japan took no action. During the years 1925 to 1927, when the British at Shanghai, Canton, and Hong Kong cried Red Revolution, the Japanese kept silent, and it was British, not Japanese, goods which were then boycotted in China, to the considerable profit of Japan.

The rise to power of Chiang Kai-shek and the partial unification of China in the years 1925-1927, occurred at a time when the comparatively liberal elements in Japan were in the ascendant, as a consequence of the discomfiture of the militarists at the Washington Conference and the previous fiasco of the Siberian intervention. Hence the Minseito party government and its liberal foreign minister Shidehara refrained from taking action against the revolutionary armies of the Kuomintang, and in no way provoked the Chinese nationalists at a time when Britain was sending troops to defend her interests in Shanghai. Those were the days when the full force of Chinese nationalist and anti-imperialist propaganda was directed against British imperialism. This was only logical since British imperialist interests in China were far larger than those of any other power, since Britain had for a century been the main despoiler of the Chinese people, since it was Britain which had first broken up the unity of China, had forced the first unequal treaties upon her, and still derived the greatest profits from the

concessions China had been forced to concede, and from the onerous loans she had been forced to contract.¹

Japan's investments then were all in the North, and the unpopularity of Britain over the whole of China could not but favour Japanese trading interests. She had the sense not to join with Britain in defending the interests of Western imperialism so long as the Chinese armies did not cross the Yellow River and approach her own particular sphere of interest.

The forces then temporarily in the ascendant in Japan were those which saw Japan's advantage and prosperity to lie in peaceful and friendly

¹ "The Hong Kong and Shanghai Banking Corporation was the first foreign bank to undertake a loan to the Chinese Government. British finance capital, having been the first on the scene, emerged from the 'battle of the concessions' with a highly profitable zone of interest in the Yangtze valley and South China, which was reserved for British railway concessions and other forms of capital investment. The terms of the Anglo-German loans of 1896 and 1898, the Anglo-French loan of 1908, the Crisp loan of 1912, and the reorganisation Gold Loan of 1913 placed British subjects in positions of authority in administering the principal sources of Chinese government revenue on which these loans were secured. Foreign banks, principally British, were until 1929 the depositories of these revenues, a fact which enabled them greatly to expand their operations and to exercise a controlling influence not only upon China's foreign exchange operations, but also upon the financial policies of the Chinese government." *Far Eastern Survey*, American Council of the Institute of Pacific Relations, Vol. 6, No. 13.

relations with China, a market which potentially had the capacity to consume more than the total of goods produced by Japanese manufacturing industry. Nevertheless even in 1927 the aggressive forces in Japan were not curbed, but only awaited their opportunity. Once the forces of the Kuomintang left the Yangtze valley for Peking, the interests of a powerful section of the Japanese financial and industrial oligarchy were threatened, and these joined forces with the militarists who had no use for a conciliatory policy even towards Central and Southern China. Moreover the Japanese financial crisis of 1927, by ruining many members of the new middle class which had come into existence in the boom period during and after the war, fatally weakened the liberal forces. General Baron Tanaka became premier in 1927 in place of the Minseito leader Hamaguchi, and immediately sent an expeditionary force to Shantung to block the northward march of the Kuomintang armies. The onward wave which might have completed the unification of China met a breakwater at Tsinan on the Tientsin-Pukow line and never reached Manchuria. Nor did the Kuomintang armies reach Peking till a year later. The Northern provinces and Manchuria were in fact never brought under the administrative control of Nanking.

The reversion to reactionary and aggressive

governments in Japan had, however, been premature, and the corruption of General Tanaka's government was so excessive that its downfall was hastened. By 1929 the Minseito was back in office and Baron Shidehara tried, albeit with increasing difficulty, to keep Japan on the road of conciliation and peace, in spite of growing economic difficulties at home and loss of support among the big business interests, whose fears grew of what the unity of China might mean to them. Moreover General Tanaka had stirred up Chinese hatred of Japan during his two years of office and so put many obstacles in the way of Shidehara's conciliatory policy.

The world economic crisis, supervening on Japan's own financial crisis and accentuated by the deflationary policy of the Minseito party, finally destroyed the very basis for liberalism—a growing middle class and a lower middle class economically secure and with sufficient opportunity for expansion to follow its lead. Japan in 1931 came once more under the rule of the more feudal and reactionary section of the big capitalist interests allied with the bureaucracy and the army. The remedy of the latter for bitter social discontents and increasing material difficulties was inflation, armaments, and what may be termed a policy of permanent aggression. For the myth of prosperity through conquest requires constant renewal as the people perceive after each

successful war or seizure of territory that their conditions of life fail to improve, or grow even more difficult.

China, meanwhile, in spite of the split between the Kuomintang and the Chinese Communists, in spite also of Japan's rape of Manchuria and increasing interference in North China, was rapidly growing in economic and military strength and political unity. In 1927 Chiang Kai-shek and the Kuomintang government controlled only five of the eighteen provinces of China. By 1937 all the provinces, except those in the North where Japan's armed might prevailed, had accepted the sovereignty of Nanking and were being welded into one state.

By the end of 1936, following on the Sian mutiny, the decade of civil war between the Kuomintang government and the Chinese Communists had come to an end. The early months of 1937 saw a reconciliation between Chiang Kai-shek and the growing popular movement, represented by the National Salvation Association, which had for long favoured some kind of a united front and which the government had previously tried to suppress. By the spring of 1937 China was not only administratively united from Szechuan to the sea, and from Canton to the Yellow River; there was also greater unity of purpose between all the political groupings than at any time since 1926.

Japan's seizure of Manchuria and her attempted domination of the Northern provinces had had the effect of unifying the rest of China and arousing a passionate patriotism and a fierce hatred of Japan amongst all classes of the population.

There were outlying provinces in a state of quasi-independence, but the centrifugal forces were being gradually broken down through improved communications, transport, currency unification, the reorganisation of the provincial armies, and the awakened nationalism of the people. Even the reactionary elements represented by the war lords in the Northern provinces, instead of having been brought over to the side of the Japanese by pressure from Nanking, as Japan had hoped, were placing themselves under the protection of the central government at Nanking to defend them against Japan's pressure.

Chang Hsueh-liang, when ruler of Manchuria after his father's death at the hands of the Japanese in 1928, had supported the Nanking government and given its allegiance, not merely because he was as Chiang Kai-shek describes him, "a patriotic soldier," but because the Japanese were even then pressing hard for Manchuria's "independence." Similarly, from 1934 to 1937, the war lords of the Northern provinces were driven into the arms of Nanking by Japanese pressure.

Both directly and indirectly Japan had of late been helping to promote the unity and solidarity of China, although weakening her economically.

Worse even than this political unity, from the Japanese point of view, was the fact that the Chinese national government during the years 1934 to 1937 had begun to be recognised abroad as sufficiently strong and stable to receive ordinary commercial credits. For the first time since the "opening of the gates" nearly a century ago, China could obtain loans without surrender of sovereignty or foreign control. True, she had not yet received credits in such measure as was needed for the reconstruction of her vast territory, but there was a prospect that she might soon receive them. Sir Frederick Leith Ross's visit to China in the winter of 1935-6, and China's currency reform linking her with the sterling *bloc* and enabling her to sell large quantities of silver abroad to form the basis for foreign credits, constituted in Japanese eyes the abandonment by Britain of her traditional pro-Japanese policy and the prospect of a China made financially and militarily strong with British assistance. Japan, which in days gone by had been enabled to rise to the status of a great power by British assistance and encouragement, as a check to Russia, saw Britain ready to assist China to become strong enough to resist her old ally. That Britain should

play the same game twice, with Japan this time as the power to be held in check, seemed most "perfidious" in the eyes of Japanese naval and military men. Japan's reaction was to seek an alliance with Germany and Italy. Hence the "Anti-Comintern Pact" which, as a writer in the *Chuo Koron* expressed it: "Japan should regard purely as an international instrument to strengthen her international position."

If Japan had had the economic and financial strength to compete with Britain and the U.S.A. on their own terrain, if Japan's heavy industry had not been too poorly developed to enable her to export capital goods, and her balance of payments too unfavourable to allow her to export capital, the situation would have been different. She would then have been able to combat British economic penetration of China by similar methods and not have insisted on acquiring *political* control over China by war. Japan is too weak to be able to make a profit out of China unless she can turn the territories she wishes to exploit into her own colonial area. If she can win exclusive control, then she can hope to borrow abroad the capital with which to develop Chinese resources. She can then construct railways and harbours and exploit the raw material resources of China with borrowed capital under her own control. Without political control, which would

enable her to close the "open door," she cannot hope to borrow from Britain or the U.S.A. the capital which they can invest with more profit directly themselves. Just as in the nineteenth century free-trade in manufactures was the cause of the strong and protection that of the weak, so to-day economic imperialism is the practice of the economically strong powers, military imperialism that of the weak. Whereas the former is compatible with a large measure of political independence in backward countries, the latter is incompatible with any vestige of political independence. Hence the "economic co-operation" with China, which Japan asserted to be her aim, always in fact meant domination. When other countries were prepared to give China credit for the purchase of capital goods for Chinese enterprises, Japan insisted on trying to get concessions to build Japanese-owned enterprises on Chinese soil. Other countries could let China build her own railways with material bought from them; Japan wanted to build Japanese-owned railways in North China (with borrowed capital) which would give her absolute control of the five Northern provinces.

Moreover, whereas Britain has abandoned all hope of competing in the supply of textiles and other consumption goods against Japanese or Chinese industry, and now concentrates on furthering the interests of British finance

capital, Japan, whose very existence depends on the export of manufactures, is vitally concerned in preventing the growth of Chinese industry. China's new factories may wipe out the remainder of Lancashire's Eastern cotton trade, but the machinery in them is bought mainly from Britain. British banks make large profits financing Chinese trade and handling loans, but Japanese banks have not got the strength to compete in this field. When China starts to make her own manufactures there is no profit anywhere to Japan. Nor is this all. Japan's "phenomenal trade expansion" is based on cheap labour. Only because she has been able to combine the use of modern power machinery with labour paid and housed on a "colonial" scale is she able to dominate the markets of the East and pay for the armaments with which she is seeking to smash China. If China is able to start successfully along the same road as Japan, she will become Japan's competitor outside as well as inside China. From the Japanese point of view it is essential to arrest China's industrial development, just as essential as it is to get control of Chinese raw material resources for Japan. If China's modernisation and development is carried out with a more complete liquidation of the feudal survivals in agriculture than has occurred in Japan, then China's industrial development will be more rapid, more complete,

and more successful than Japan's. This is in part the reason for Japan's bitter tirades against Communism in China; for to-day Communism in the Far East stands for agrarian revolution, not the dictatorship of the proletariat. Japan is only semi-modern, only semi-capitalist. The survival of feudal relations in agriculture, the persistence of an outworn autocratic form of government, the power of a few giant family trusts with their roots in the feudal substructure, the corruption which poisons her whole political and social life, all retard her industrial development. China may escape a similar development and become economically and politically far healthier than Japan has ever been if she frees her peasants from their burdens under pressure from the Left.

Japan's lop-sided industrial development and the fact that her heavy industry is not sufficiently developed for her to participate largely in the reconstruction of China, or even to wish to participate, is due in the final analysis to her feudal agrarian economy, to the survival of payment of rent in kind, which keeps a large class of entirely parasitic landowners in existence and keeps the home market too narrow for any all-round process of industrialisation to be possible.

From the Japanese point of view the ideal was, and is, a Chinese government or governments with just sufficient revenue to enable it to

retain effective control of its territories, but with too scanty resources to enable it to modernise the country and assist Chinese industries to develop. Such a government would be too weak to resist Japanese "influence," but strong enough to preserve law and order in the interests of Japanese merchants and concession-holders. Hence the anger and bitterness with which she viewed the spectacle of Chiang Kai-shek's government obtaining loans and credits from Britain and other Western powers, and the assistance of League of Nations' technical experts, and embarking upon a large-scale plan of industrialisation. Hence her repeated "hands off China" declarations. (See Chapter VI.)

To return to the political aspect of China's unity. It should be noted that, so long as the Nanking government bent its main energies to the extermination of the Chinese Soviet armies, Japan could rest content that she could wreck her will on China and absorb it piecemeal. Before 1937 Japan's official policy had therefore been to press Chiang Kai-shek to the limit of what he could concede without being swept from office by the fury of his own people, or thrown into the arms of the Communists. This policy, favoured by Japan's more far-sighted statesmen, needed careful handling and a nice appreciation of the possibilities of the moment. The army, being confident that it could seize by force, had

no use for a policy of gradual extortion by pressure. The mixture of both policies naturally caused the failure of both, and the Japanese attack in Suiyuan in November 1936, at the very moment when the Japanese ambassador was negotiating in Nanking, caused the Chinese government to break off the negotiations from which Japan looked like securing much of what she demanded. Well might Mr Hamada, the leader of the Seiyukai, castigate the government in the Diet session of January 21st, 1937, for having "thrown national finance into confusion and for having brought foreign policy to a deadlock by armed diplomacy."

Chiang Kai-shek was placed between the devil and the deep sea, since he could not resist Japan unless he came to terms with the Chinese Soviet armies in his rear, and he could not allow Japan the far-reaching concessions she demanded in North China without arousing such a storm on the Left as to risk being swept out of office by the fury of his own people. The Sian incident, which followed on their abortive attack in Suiyuan, made the Japanese realise that there was an imminent danger of the "re-marriage" of the Kuomintang and the Communists, since the latter, by the far-going change of policy they were proclaiming, made the deep sea seem less menacing than the devil. The cessation of civil war between the Kuomintang and the

Chinese Soviets after Sian meant in fact far more than a truce between the Kuomintang and the Communists, who, after all, represented only the most revolutionary elements opposed to Chiang Kai-shek, who had few members in the cities of China, and had already been pushed into the far North-West. Sian paved the way for a reunion between Chiang Kai-shek's government and the whole popular mass movement which, since 1927, had never given him more than grudging support, and sections of which had been completely alienated from the Kuomintang. Chang's Hsueh-liang's *coup* had been an attempt—by war lord methods, it is true—to force Chiang Kai-shek to cease suppressing the popular national liberation movement and put himself at the head of it. Although the Generalissimo had refused to be coerced, he had in fact taken notice. The Kuomintang Congress in February 1937 promised a measure of democratic liberties to the people, the imprisoned members of the National Salvation Movement were released, and in general it appeared that the anti-Japanese democratic forces (so strong among the students and intellectuals) were to be given their head instead of suppressed by force as in the previous period.

The Japanese now bitterly regretted that they had pressed Chiang Kai-shek too hard by excessive demands and would dearly have liked the

half loaf they might once have obtained without fighting.

“ There was a time, as Prince Konoye reminded the government in a special article published by the leading Japanese newspapers a month or so ago, when the Nanking government was prepared to sanction very extensive economic co-operation with the north. That opportunity was unaccountably thrown away and the ground must be cleared afresh before it once again becomes a matter of practical politics.” (*Japan Chronicle*, February 25th, 1937.)

The Japanese now hastened to abate the pressure on China and hoped that, if the devil came flourishing a demand for economic concessions instead of a sword, he might appear less of a danger than the deep sea of Communism, however calm and unruffled by class war the latter had become.

Japan's first reaction to the Sian incident was therefore a more conciliatory policy and the repudiation of all intention to seize more Chinese territory. She thus hoped to get Chiang Kai-shek to revert to the old slogan of “ peace within first,” in other words, to start once more to fight the Chinese Communists. If she could get civil war restarted in China and at the same time convince Britain that she had abandoned her aggressive policies, Japan would be able both to acquire the railway concessions she was pressing for in North China *and* to borrow the capital

from Britain to construct them. North China would then become hers without a war, and the rest of China could be left alone a few years until Japan had developed new coal and iron resources in the North. Vested interests of sufficient magnitude once acquired in North China, Japan could at a later date claim military and political control, but in order to acquire them it was essential that Britain should recognise her "special interests" in that region and that no other power should compete with her there.

The Japanese reaction to the end of the civil war in China was frankly expressed in an article published in the semi-official quarterly *Contemporary Japan* in March 1937. The author, Hotsumi Ozaki, is a member of the staff of the "liberal" *Asabi*, and was a delegate to the I.P.R. conference at Yosemite in 1936.

"A China moving to the left, and that is what it amounts to, promises more trouble than ever. But there is nothing much we can do about it. . . . The Chinese movement for racial emancipation is essentially irreconcilable with Japan's continental policy. Moreover, the Nanking regime is far from being capable of directing or controlling this racial movement, although the Nanking government is apparently being supported by it. The Nanking leaders could neither ignore nor control the movement for racial emancipation in its various manifestations. . . . On the other hand Japan's continental policy was being prevented from making

its positive drive by domestic difficulties and by the Chinese racial movement with which obviously she does not want to come into frontal clash. And diplomacy cannot change these facts. It is probable that to counteract the effect of the Popular Front influence *Japan's China policy will in the near future take a conciliatory turn and support Nanking, sticking to the old slogans of 'Unification' and 'Peace Within First'.*"

In March 1937 the threat of further Japanese military movements in Inner Mongolia ceased and Japanese troops were withdrawn from Suiyuan. A Japanese spokesman at Peiping even went so far as to state that Japan might soon be ready to discuss the formula for restoring Chinese control over North China, and there was talk in Japan of abolishing the East-Hepei "autonomous" regime. The foreign minister Sato stated in the Diet that China's wish to be treated on an equal footing should be respected and "past differences forgotten." The Japanese government, in fact, did everything possible to lure Chiang Kai-shek into a false sense of security, but its efforts met with no success. Japan's hasty assumption of the velvet glove had come too late; by her past behaviour she had stimulated the forces of Chinese nationalism too much for them to be bottled up again, and no Chinese believed that she had really ceased to pursue her old aim of acquiring the hegemony of China.

Japan's endeavour to convince Great Britain

and the U.S.A. that she had turned over a new leaf and would in future seize no more Chinese territory, but follow the respectable course of economic penetration followed by the long-established imperialist powers, was more successful. The speeches of her statesmen and business leaders at this time impressed foreign opinion. At the New Year banquet of the Tokyo Chamber of Commerce and Industry, Mr Yuki (shortly before his appointment as Finance Minister), made a speech in which he begged China to "bury the hatchet," and stated that Japan's attitude had often been, "anything but approvable." He drew a rosy picture of the future results of Sino-Japanese co-operation: "Once the capital and technical ability of Japan are united with the labour and resources of China, inexhaustible resources of cotton, coal, minerals, and so forth will be ready for exploitation." The February 1937 *Oriental Economist*, commenting on the speech, said that Mr Yuki's view unquestionably represented the attitude of Japan's financial circles and was supported by not a few army men. It further remarked that Japan, first and last, should have no territorial ambitions in China, and went on to give details of Japanese projects in North China "now being promoted on a politico-economic basis" for electrical utilities, air transport, railways, iron mines, harbour construction, and so forth, and of a

project for taking over loan claims on petroleum interests in Tientsin. "Since last year," said this organ of Japanese finance-capital, with a sigh of relief that Japan had at last begun to be respectable, "this trend has won widespread approval as being entirely realistic and practical and conforming to accepted principles of overseas expansion, in striking contrast to the visionary plans of former years. Consequently Japan's economic operations in this region during 1936 had much in common with those of England and America, in that they were entirely in accord with the principle of the unification and reconstruction of China."

The Japanese financiers and big industrialists would, no doubt, quite genuinely have preferred to confine themselves to the methods of economic penetration, threatened as they were at home by the setting up of a totalitarian state should Japan continue on her aggressive course. However ready they may have been to "drink the champagne" which the militarists might send them in the shape of new colonial areas for exploitation and profits from huge armaments, they longed to follow the courses of the old-established imperialist powers. This they could only hope to do if large loans or credits were obtained from Britain, since Japan herself could never hope to export capital or capital goods of her own in sufficient quantity to establish

economic control of North China, or to acquire any influence over the Chinese government except the influence of the mailed fist.

From the moment it took office in February 1937 the Hayashi government did its best to reassure Britain and to obtain her support. The Japanese press began to discuss the question of a restoration of the Anglo-Japanese alliance, and great prominence was given to the statement made by the foreign minister, Mr Sato, in the Diet on March 23rd, that the question was "extremely important and was being seriously considered, that it had a group of advocates in influential quarters in Britain, but that a restoration of the alliance was difficult in view of the terms of the League Covenant." Further details of Anglo-Japanese relations are given in Chapter VI. Here I will only quote a passage from the August 1937 number of the *Oriental Economist*, which outlines the situation preceding the war, and shows the failure of Japan's economic penetration in North China and the cause of her overtures to Britain.

"What has Japan achieved under these conditions? To be sure, a not inconsiderable amount of industrial capital has entered North China, chiefly for the cotton industry; but little has been accomplished in undertakings of any appreciable magnitude. . . . The construction of the Chin-Shih railway, the development of the Lungyen iron mine, and everything else of importance have proved

impracticable because of interference by the Nanking government. . . . In military and financial affairs the centralising force of Nanking has extended throughout North China, and these trends were invariably accompanied by an intensifying of anti-Japanese sentiment. The Suiyan and Sian incidents each served to accentuate and accelerate the movement as nothing else could have done. . . .

“ A general diplomatic policy was set up (by Japan) with a view to giving a turn to the situation regarding the country's diplomatic isolation subsequent to the Manchurian incident. A view was advanced favouring a *rapprochement* with Great Britain and it commanded increasing support. From the same point of view the abolition of the East Hopei government was advocated in some quarters. In North China there was not an entire absence of some occurrences of which Japan should be in no wise proud. The activity of undesirable *romin*¹ at one time may be mentioned as an instance. Furthermore China, after her currency reform, began to be looked upon with an increasing degree of international sympathy and more recently she has been making growingly heavy imports under long-term arrangements tantamount to loans. Japan's isolation was brought out in bolder relief by the contrast.”

In the final outcome Japan failed to get the necessary financial aid from Britain quickly enough, but obtained sufficient encouragement to regard North China as her own, whilst meeting

¹ “Patriotic” gangsters or members of patriotic societies.

with increasing difficulty in securing the concessions she wanted in this region and a more stubborn determination on the part of the Chinese government to bring the North under its own control. The worsening economic situation in Japan gave renewed strength to her extremists, the execution of Tukhachevsky and the other Soviet generals in June was interpreted by Japan as meaning that the U.S.S.R. would be too preoccupied with internal conflict to interfere with whatever she did in China. The European situation favoured her, and in the confident expectation that she would have a free hand, Japan in July 1937 embarked on her war to get possession of North China and prevent China achieving the economic progress and acquiring the military strength to resist Japanese hegemony. She gambled on three issues : first, that she could seize North China without a major war ; second, that after the fall of Nanking some of the Kuomintang leaders would come over to her side and head a puppet administration ; third, that Britain and the U.S.A. would not stop her aggression by refusing to trade with her.

She has already lost the first two throws, but her third gamble has so far been successful.

Chapter II

JAPAN IN NORTH CHINA

ALTHOUGH it is clear that the basic aim of Japan in this war is to prevent the modernisation of China, the immediate aim was undoubtedly that of acquiring absolute control of the five Northern provinces. As we have seen, the Japanese appear to have thought that this immediate aim could be attained without a major war, and this view was apparently shared by both Britain and Germany. If this immediate objective could have been secured and China had given way without fighting, the premises would have been laid for the certain conquest of the rest of China in the future. Japan would have secured possession of the major part of China's mineral resources and the Chinese National government would have been too weakened economically, politically, and morally to have been able to resist Japan in the future.

It was in North China that the aim of Japan's ruling class to develop Chinese resources for the exclusive use of Japanese industry had come nearest to realisation in the years following the

rape of Manchuria. Whilst British, French, Belgian, and even German capitalists were showing themselves prepared to give credits to China to carry out her own projects under her own management, Japan came near to obtaining in the North concessions to build her own railways and establish her own mining enterprises. What Japan euphemistically spoke of as Sino-Japanese co-operation was in fact and always domination of China by Japan and the conversion of her sphere of influence in the North into a Japanese colony. When she proclaims *ad nauseam* that she has "no territorial ambitions in China," she means quite simply that she knows she has not the strength to hold down millions of Chinese by force alone, and so hopes to get a puppet Chinese administration to run the country in the interests of the Japanese. This has been her consistent aim in North China since she seized Manchuria and Jehol. A second Manchuria, held down by a large Japanese army, was too costly to contemplate, and, since the North had never been brought under the real control of the Nanking government, there was a more hopeful prospect here than in the rest of China of being able to set up a Chinese administration subservient to Japan, but itself policing the country and relieving Japan of the expense of preserving "law and order."

Japanese expectations were based on the fact

that North China had never been brought under the real control of the central government at Nanking. Here there were still provincial governors with their own armies little to be distinguished in outward appearance from the old war lords, who in the pre-Kuomintang period had been the tools of the imperialist powers and in particular of Japan. The split in 1927 between the right wing of the Kuomintang and the popular revolutionary movement led by the left wing and the Communists (together with Japan's intervention in Shantung) had prevented the Kuomintang government achieving a complete victory in the North. The governors of Hopei, Chahar, Shansi, Suiyuan, and Shantung had been forced to recognise the Nanking government, but their submission had been more formal than real. They remained in fact almost independent and long resisted the centralising tendencies which were bringing the rest of China under the real control of Nanking.

The Japanese imagined that they could, by fostering an "autonomous movement," prevent the collapse of the Northern war lords and cut short the increasingly successful assertion of authority by the central government. Japan imagined that if she could relieve the Northern provincial rulers from the pressure and increasing control of Nanking, she herself, subjecting them to Japanese pressure instead, could become the

controlling power. She would then have been able to leave the provincial rulers with their armies to administer the country, but herself acquire full sway in the economic sphere and so obtain a monopoly in the exploitation of North China. What Japan failed to realise in 1935 and again in 1937 was that the development of modern market conditions linking these provinces with the rest of China, the increase in the economic and political power of the bourgeois elements, and the increasing influence of the revolutionary and patriotic students and intellectuals amongst the people and even amongst the soldiers, all made it impossible to revive the decaying war lord regimes and play them off against the central government. The force of Chinese nationalism had grown too strong even in the North for Japan to be able to set up puppet regimes with any power to administer the country unless, as in Manchuria, sufficient Japanese troops were brought in to hold the population down by force. The soldiers who composed the Northern provincial armies, as was to be clearly proved in 1937, were no longer mercenaries, but men awakened to national consciousness; if their generals had wished to compromise with Japan they would have lost their armies, and they knew it.

It was in 1935 that the Japanese made their first concerted attempt to detach the five Northern

provinces (Hopei, Chahar, Suiyuan, Shansi, and Shantung) from the rest of China and set up an "autonomous" Chinese government there. In May of that year Japanese troop movements on a large scale forced upon the local Chinese commander acceptance of the Ho-Umetzu agreement whereby Nanking's political and military control in the North was practically eliminated.

In October the notorious General Doihara, whom the Japanese like to call their Lawrence, tried to set up an independent Chinese state in the five provinces. This attempt was only partially successful. Neither Yen Hsi-shan, the "model" governor of Shansi and Suiyuan, nor Han Fu-chu of Shantung would have anything to do with the "autonomy" movement. Only two provinces, Hopei and Chahar, were detached, and two puppet regimes were set up—the East Hopei Autonomous Council under Yin Ju-ken in the demilitarised area, and the Hopei-Chahar Political Council under General Sung. The Japanese army "protected" both. Whereas East Hopei became almost as Japanese as Manchuria, the Hopei-Chahar Political Council never gave the Japanese complete satisfaction, and as time went on it tended more and more to gravitate to Nanking. By the end of 1936, when the Chinese repulse of the Japanese-Mongolian attack on Suiyuan, and the Chinese government's firm rejection of the Japanese demands following

this incident, had given an impetus to the belief that perhaps, after all, Japan could be resisted if China were bold enough to make the attempt, the Hopei-Chahar Political Council was showing a clear tendency to take its orders from Nanking rather than from the Japanese. Meanwhile Yen Hsi-shan and Han Fu-chu had been drawing closer and closer to Nanking in order to save themselves from the Japanese; and in the case of the former also to save himself from the Red armies.¹

The growth of Chinese nationalist feeling and confidence was such that only the pressure of overwhelming Japanese military force could keep her puppet regimes obedient, and it should already have been clear to Japan that the days when she could hope to rule China through Chinese administrations were passed. Japan, however, then as after nine months of war, clings to the outworn belief that China is not a nation, that all Chinese rulers are venal, and Chinese soldiers mere mercenaries, and that she can expect to dominate China without "coveting an inch of Chinese territory."

By 1937 it had become clear that Japan's control of North China was insufficient for her to obtain the concessions or the political security necessary to develop it in her interest, but

¹ Japan's invasion of Suiyuan from Chahar in the autumn of 1936 was an attempt to "win over" Yen Hsi-shan. It had the opposite effect.

sufficient for her to weaken the central government financially by the wholesale smuggling carried on under the protection of the Japanese armed forces.

As early as 1934 Japan had forced the withdrawal of the Chinese customs patrols from the region of the Great Wall, and then, either by actual violence or the threat of it, prevented the Chinese patrol cruisers from operating along the coast south of the Wall. Japanese-controlled firms, such as the Shih Ho transportation company, thereupon openly engaged in the lucrative business of importing Japanese goods free of duty and distributing them over the whole of North China.

“The creation of the East Hopei autonomous government under Japanese protection aggravated the situation still further. With the assistance of the Japanese *gendarmerie* under the Kwantung army, the so-called ‘autonomous government’ has been able to collect duties on goods passing through East Hopei at about a fourth of the normal Chinese tariff rates. Under Japanese pressure the railways were compelled to assist in the transportation of smuggled goods southwards and westwards. . . . At first the smuggling activities were confined to such goods as sugar, artificial silk, and cigarette papers. Later, however, kerosene, flour, cotton textiles, and a multitude of other goods were thus imported.”¹

¹ *Problems of the Pacific*. Proceedings of the 1936 Conference of the Institute of Pacific Relations held at Yosemite.

Smuggling on such a scale as this, and with no attempt at concealment, required another name. The Japanese, openly proclaiming that their aim was to force reduction of the Chinese tariff to a point at which their goods could enter free, called their smuggling in the North their "special trade."

The Japanese were not only making huge profits and cutting out all foreign competitors. They were making a concerted effort to undermine China's financial structure. The customs revenue is the largest source of state revenue and the guarantee for the interest payments on China's foreign debt. About 40 per cent of China's customs revenue is earmarked for her foreign debt service, and Japan's action in cutting off the revenues from North China meant that the Chinese government had to meet its foreign obligations by using more than 40 per cent of its customs revenue from Central and South China. Since 1932 the customs revenue from the Manchurian ports, which amounted to 11 per cent of the total customs revenue in 1931,¹ has no longer been available for the service of the secured loans. It is estimated that in 1936 the duty evaded through the smuggling of goods through East Hopei alone amounted to fifty million Chinese dollars, as against the total customs revenue of three hundred and twenty-five million

¹ *China and Japan*, Royal Institute of International Affairs.

Chinese dollars.¹ The Japanese-controlled administrations in Hopei and Chahar naturally put every possible obstacle in the way of China's currency reform. The East Hopei regime prohibited the export of silver and also the circulation of the notes of the Central Bank of China. Further it set up its own Central Bank and began to issue notes which, according to the *China Weekly Review*, were supported by the Yokohama Specie Bank and the Bank of Chosen, and were widely circulated in Tientsin against the orders of the Chinese central government.

There is no doubt that Chinese reconstruction was seriously hampered by this stab in the back from Japan, and the Chinese National government began in 1936-1937 to establish a new line of customs stations around Hopei to prevent the entry of the smuggled goods into the west of China, thus giving the Japanese one more proof of their "insincerity."

Japan's drug-selling ramp in North China was no less profitable than her "special trade," and similarly had a political as well as an economic motive. The economic motive was clear, for the profits were very large and compensated Japan for the moment for her inability to obtain the concessions or to supply the capital goods required to develop the country.

¹ *China and Japan*, Royal Institute of International Affairs.

Japan might be killing the goose which laid the golden eggs by thus systematically debauching the Chinese population by the sale of drugs and the encouragement of the drug-forming habit, but so long as the goose was not a Japanese goose she was content to try and make a quick profit regardless of the consequences. Not only this, but there is little doubt that the Japanese army command, by the protection and encouragement that it gave to the dope pedlars and merchants, was not only lining its own pockets, but making the task of holding down the population easier.

Speeches made at the twenty-second session of the Advisory Committee of the League of Nations on Traffic in Opium and Dangerous Drugs, by Mr Fuller, the United States delegate, and Russell Pasha, the Egyptian delegate, can be quoted as the most incontestable evidence available :¹

Mr Fuller : " Where Japanese influence advances in the Far East what goes with it? Drug traffic. . . . 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 Chahar, there immediately resulted a forced increase in the area sown to poppy and in opium

¹ See *Times* and other newspaper reports, and also *China—Body and Soul*, pp. 120-144.

production ; and morphine factories were at once started in Chahar by Japanese. One was started at Kalgan and later moved to Changpeh, where it would not be so conspicuous. . . .

“The province of Hopei, in which Peiping, Tientsin, and the so-called demilitarised zone are located, has become the seat of the world's most extensive manufacture of illicit heroin. The conditions in Peiping, Tientsin, and Eastern Hopei are appalling and beyond description. In Hopei the traffic is engineered and controlled by Japanese and Koreans. . . . Manchuria and Jehol 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. . . . Press reports have stated that in 1935 in the principal cities of Manchuria, nearly six hundred persons died of narcotic addiction without any provision for their interment. . . . (He goes on to give descriptions of the disposal of the corpses on ash heaps.) . . . It remains to be seen whether those responsible for the ash-heaps of Harbin, Tongshan, Tientsin, and Peiping will do anything about it before they are overtaken by a retribution which all their ill-gotten gains cannot avert.”

As an example of how the Japanese sometimes inadvertently “let the cat out of the bag,” one can give the following report

in the *New York Times*,¹ as quoted by Mr Fuller :

“ The Japanese military attaché at Shanghai stated : ‘ Reports that these Mongols (the Inner Mongolian tribes supplied with Japanese armaments to attack China) are too poor to buy tanks, armoured cars, and munitions are untrue, for they have assets such as a vast opium harvest. We have been paid in kind.’ ”

Russell Pasha gave detailed evidence showing how the Japanese Concession in Tientsin “ is now known as the nerve-centre of heroin manufacture and addiction of the world,” and of how “ it is from here that not only the Chinese race, but all other countries of the world are being weakened and debauched.”

Mr Hessel Tiltman, in his *The Uncensored Far East*, has a chapter entitled “ Murder for Profit,” in which he describes the various ways in which the Japanese have encouraged the drug-forming habit amongst the Chinese. Not content with their open efforts to debauch the Chinese population so as to make them incapable of resistance to the Japanese conqueror, the Japanese have also got going a “ medicine racket ” : stomach medicines, medicines for the ailments of children and for tuberculosis, which are all composed of morphia or heroin and are sold so that those who refuse to listen to the sales talk of the drug

¹ November 17th, 1936.

pedlars may contract the drug habit unawares. Since Mr Tiltman's book is generally inclined to favour Japan, not China, he is worth quoting at some length :

“ The headquarters and nerve centre of that still-expanding traffic in red ruin is situated round about a network of alleyways, dark and forbidding, which lie just off the Asahi Road, main thoroughfare of the Japanese concession at Tientsin.

“ There, under the eyes of the Japanese police, beyond the reach of the Chinese authorities, and within a stone's throw of a street market which openly specialises in the sale of opium-pipes, lamps, and other impedimenta of the dope-addict, are concentrated some scores of narcotic plants engaged in manufacturing heroin, morphine, and a dozen other synthetic drugs. Night and day the wheels of that industry are turning. Night and day the profits are piling up.

“ That same ‘ heroin belt ’ also forms the main distributing centre for morphine and cocaine manufactured at Tangshan, within the area of the Eastern Hopei autonomous government (a ‘ puppet ’ state created in North China under Japanese inspiration) and farther north. . . .

“ The average number of ‘ dope-joints ’ in the provincial towns of North China is forty. Even the smaller villages are visited weekly by four or five dope-pedlars. . . .

“ The widespread belief, encouraged by the light sentences inflicted in the past upon Japanese drug-traffickers caught in China and handed over to Japanese courts, that in the dope-racket a Japanese passport is a short cut to fortune, is not going to

evaporate simply by 'making an example' of one or two of the smaller fry here and there. Nothing short of smashing up the largest and wealthiest of the dope-syndicates will convince the 'high-ups' that the game is finished. . . .

" 'Tientsin,' admitted Mr Yokoyama, Japanese delegate to the League Opium Advisory Committee, 'is a weak spot,' and by that one sentence qualified as the greatest living master in the art of under-statement."

Miss Muriel Lester, in an article published in the *Manchester Guardian* on April 25th, 1938, gives a vivid first-hand description of how opium follows the Japanese flag :

"When the new government—the Peace Preservation Council—was set up by the Japanese in Tientsin on August 3rd, 1937, it was announced that the Nanking law was no longer applicable to the district. The drug habit reassumed its tyranny. The anti-narcotic hospital work was stopped. In the old Japanese Concession is a street in which about 50 per cent of the houses are drug 'joints.' . . . A middle-aged procurer took us to a brothel where we purchased heroin. Here we learned that many traders had left Peking to follow the army into pastures new, but their places are quickly filled by others. This establishment supplied the more expensive Dairen heroin as well as the Tientsin brand. . . .

"The thing that troubled me most in Peking was the number of small clinics which the Japanese are opening. They are well lit and attractive. One of them displays the red cross, and most use

illuminated street signs to guide passers-by on the main roads to the doors up the side streets. A crowd of rickshaws wait outside them at night. They advertise in the papers the various diseases which they cure. The procedure in many of them seems to be that each person on entering is given a cursory examination by an unqualified doctor or dispenser, and is then registered as suffering from some specific disease. After that he is allowed to buy as much heroin or morphine as he likes. . . .

“Three hundred addicts were set free from the city treatment centre last week and the place closed down. There is no longer any clinic available here for the cure of addicts. Some Japanese here are known to pay their servants or business employees half in cash, half in drugs. . . .

“A foreign Christian appealed to five Koreans newly-settled in a Chinese town and running opium dens. ‘Why do you come to China?’ he inquired. ‘We were sent here,’ they answered. ‘Why do you ply this trade?’ he asked. ‘That was the part assigned to us,’ they explained.”

Even though the direct profits accruing to the Japanese military and consular officials from the encouragement of the drug habit in North China cannot be proved, it is obvious that the activities of the Japanese and Korean drug pedlars and opium dens have been encouraged by the Japanese.

The encouragement of the sale of drugs is one of the means open to the Japanese to make quick profits from their conquests, and is a symptom

of her inability to develop new sources of wealth through industrialisation. It is clear that Japan, having neither the capital goods nor the financial resources for imperialist economic policies, must continue to employ the methods of the military conquerors of past ages in exploiting subject peoples. The tax-collector, the usurer and the merchant follow in the wake of her armies, not the financier, the engineer, and the emigrant.

In East Hopei, where Japanese domination was as absolute as in Manchuria, the results which would follow on the conquest of China can be concretely demonstrated. New taxes were imposed here, in addition to the old ones, in spite of the fact that subsequent to the Japanese occupation the prices of agricultural produce fell to about half the Peiping prices.

Usury, prevalent all over China and Japan, assumed the most outrageous forms in East Hopei, where interest of ten cents a day per dollar was the charge even on pawned articles. The peasant was first forced to pay taxes he could not possibly meet and then mulcted of his scanty property in order to pay them.

The Japanese carried the existing Chinese practice of forced labour for road-building to unheard-of lengths, since the roads they built were wide military roads which took infinitely more labour to construct than the Chinese provincial roads. To make way for them peasant

holdings were destroyed wholesale without compensation.

The so-called "Peace Preservation Corps," whose duties are represented by the Japanese as the maintenance of law and order, are reported to exist in reality for naked robbery of the people. In carrying out their extortions they have turned to binding the peasants and searching their households, taking all money and arms. Some unable to furnish ransom have been shot as "Communists." The known facts about Japan's "Anti-Comintern Autonomous Government of East Hopei" justify the Chinese charge that it was the most disorderly part of China and that Japan's administration merits the term gangster rule.

As part of the methods for the spread of Japanese culture, school textbooks are revised with a view to the elimination of everything conducive to preservation of Chinese national feeling, pictures of Dr Sun Yat Sen have been torn down, and an attempt has been made to revive the feudal codes of Confucius.

An American observer who has been one of the most severe critics of China, and who in other articles has exposed the abuses in China's provincial administration, writes as follows in an article entitled "Where Japan Rules in China":

"Economically, socially, politically, Japan has undermined the foundations upon which any

government must build if it is to be prosperous and continuous. Politically the refusal of the Japanese to permit the Chinese officials to enforce what little law remains in the East Hopei region has denied to the inhabitants anything worthy of the name of 'government.' Economically, their smuggling activities have undermined legitimate Chinese trade and deprived the Chinese government of large revenues; interference with the salt-tax collection and trade has likewise stripped Nanking of needed revenues and made the trade more difficult to control; efforts to sabotage Nanking's currency and monetary policy have placed the Chinese financial system in a perilous position. Socially, the drug-peddling *ronin* have contributed to the undermining of the Chinese people. The programme of super-nationalistic Japanese propaganda for de-nationalising the Chinese can hardly be held productive of a nation worthy of the name. As for the repeated 'slaughter of the innocents,' carried out by Japanese bombs on Chinese territory, perhaps that is only a more vicious aspect of activities previously described, in this case carried out by a war-maddened army. Even assuming that the Japanese would improve in government should they obtain more direct control, it appears probable that they will have created, by the policies already discussed, a morally, physically, and economically bankrupt people hardly able to make any contribution to the well-being of China."¹

With the ever-present warning of the conditions in Manchuria and East Hopei to show them what

¹ Norman D. Hanwell in *Asia*, 1927.

they had to expect if Japan got complete control of North China, the inhabitants of these regions were more and more anxious to come under the central government of China. Even the Japanese-created Hopei-Chahar Political Council under General Sung found the pressure of local Chinese opinion too strong for it, and showed unmistakable signs in 1936 and 1937 of a disposition to take its orders from Nanking, instead of from the Japanese army. It could not refuse the Japanese demands, but it could delay and obstruct them, and this it did in spite of all Japan's efforts to show the Peking administration that Nanking was incapable of helping it.

The general situation in North China in 1937 was obviously one in which a spark might at any moment set aflame the smouldering antagonism between the Chinese and the Japanese armed forces. The latter made demands upon the local authorities which they were forbidden to accede to by the central government at Nanking, but which they dared not refuse outright with the Japanese armed forces at their elbows and without any assurance that Nanking would attempt to defend them. The Chinese genius for prevarication alone enabled the Hopei-Chahar Political Council to avoid granting Japan the concessions she demanded, whilst never refusing her outright. Nanking was showing more and more determination in resist-

ing Japan's claim for "special rights" in North China, and, as the Japanese press expressed it, "attempting to gain control over North China and refusing to recognise the special nature of that region." In April 1937 the ministry of railways at Nanking announced that the final authority for foreign financing rested with the central government and that commitments by local authorities were not necessarily binding. Japan found her repeated demands for concessions balked by General Sung's departure to his native village to sweep the tombs of his ancestors. They got more and more exasperated that their puppet should dare to elude them by prolonging month after month the pious duty on which he said he was engaged. The principal concession which the Japanese wished to secure was one to build a railway east to west, from Tsangchow or Tientsin to Shihkiachwan, intended to enable her to cut Peking off from the centre and south of China and to open the vast coal resources of Shansi. About half of China's coal resources are located in Shansi province. (See footnote, page 49.) The railway in particular would have enabled coal to be transported to Japan from the Chinghsing mine, which produces 800,000 tons a year of good coking coal.

Failing to obtain their concession, the Japanese in July 1937 attempted an alternative method for the strategic and economic control

of North China; they started to seize those railway junctions of the existing railway system not already occupied by Japanese troops. This was the origin of the "incident" near the Marco Polo Bridge on the night of July 7th-8th which started the war.¹

There is little doubt that Japan thought that she could establish a second Manchukuo with as little trouble as she had established the first. Although it was the growing unity and strength of China which had caused her to renew her aggression, she nevertheless failed to realise the strength of national feeling, the passionate determination of the Chinese people that Japan should not be allowed to seize any more provinces without resistance on their part. Certainly Japan did not expect a major war. She had so often won her way, merely by concentrating troops and threatening, that she expected to be able to do so again. She hoped by provoking incidents, and then demanding compensation, to get complete strategic, and subsequently economic, control over North China. If she had succeeded, political control would have followed automatically.

Japan accordingly tried to insist on a "local

¹ Japanese troops started a "sham" fight under the walls of the Chinese garrison town of Wauping at dead of night, and then demanded entry to search for one allegedly missing Japanese soldier.

settlement." In other words, she naturally wished the Chinese central government to stand aside whilst she imposed her terms on the helpless local authorities. She was apparently abetted by the British Government, which appears to have endeavoured to bring pressure to bear on Chiang Kai-shek to let the North go. (See Chapter VI.)

The Japanese press openly proclaimed that the war was due to the Chinese central government daring to claim sovereignty over its own Northern provinces and to the wickedness of the Hopei-Chahar Political Council in refusing any longer to take orders from its creator.

"Nanking," said the *Hochi* in July, "is to blame for the position in which troops under the Hopei-Chahar Political Council, created as a buffer between Manchukuo and China, and supposed to be pro-Japanese, had to co-operate against Japanese soldiers."

The "liberal" *Asabi* went further, and proclaimed that since the Hopei-Chahar Political Council had weakened with the progress of General Chiang Kai-shek's programme to centralise authority, Japan could be held to be fighting in "self-defence," because China had opposed her aims in North China.

The *Yomiuri* stated early in July that the origin of the war was Japan's failure to acquire peaceful possession of North China

and the curtailment of Japan's smuggling into China :

“Nanking's avowed policy of placing North China completely under its control and jurisdiction has recently begun to assert itself. Thus the situation in Hopei and Chahar has been running very much against Japan. The pressure of Nanking there threatens to increase until it has gained full control over North China. . . . Custom guards have been sent from Nanking to North China.”

The indignation in the Japanese press was not merely a naïve attempt to convince the Japanese people that China was the aggressor. It arose from the fixed belief that Japan had already established a protectorate over all China north of the Yellow River. There had been so many projects for the development of North China by Japanese companies, so many detailed schemes for railway building, mining, and cotton growing enterprises there, so general an assumption that the setting up of the Hopei-Chahar Political Council meant that North China was ripe to become a second Manchuria, and so confident an assumption that Japanese control could be firmly imposed without war, that the events of July 1937 caused a rude awakening and provoked a storm of indignation at the “insincerity” of the Chinese. The rudest shock of all to the Japanese was the massacre of their nationals in East Hopei by the

Japanese-armed, Japanese-drilled, and Japanese-equipped Peace Preservation Corps.

Whatever the real desire of Chiang Kai-shek and the Kuomintang government may have been, whether or not they wished once again to give way to Japan and wait until their armies and air force and their economic strength might have given them more hope of meeting Japan on equal terms, the choice was taken out of their hands.

Chinese sentiment was at fever-heat. No government could have remained in power which did not stand up to Japan. All "local settlements" between the Hopei-Chahar Political Council and the Japanese army commands were nullified by the resistance of the rank and file and junior officers of General Sung's own army, the 29th. It was clear, even to those who best realised the tremendous material disadvantage under which China would fight, that it was now or never. If Japan were allowed to acquire all North China, she would have gained and China lost the very foundations of real economic and military strength. For the greater part of China's coal and iron resources are in the North.¹

¹ The following details are taken from the *Far Eastern Survey* of April 6th, 1938.

In 1935 the Geological Survey of China estimated China's total coal resources as 232.6 billion tons, exclusive of Manchuria and border regions. Of this amount about 55 per cent is located in the five Northern Provinces and

Strategically also the position would have been hopeless. A Japan dominant across the North, could at any moment extend her conquest over the Yangtze Valley and the South.

Lastly, in a China which had once again failed to resist Japan, there would be no more belief in the possibility of resistance in the future. Alternatively, all the best elements in China would perforce have given their support to the Communists who stood for resistance to Japan at whatever cost.

There was no possibility of compromise as between a Japan determined to crush Chinese nationalism and acquire the hegemony of all China, and a China determined, at whatever cost, to fight her war of liberation before it was too late.

The Japanese, faced with a major war which they had not expected, and realising that for all

nearly 30 per cent in the neighbouring province of Shensi. 127 billion tons—more than half China's total—is in Shansi province alone. Actual production at present is only 15 million tons a year, mostly from mines near the sea in Hopei and Shantung, but this represents three-quarters of China's total output. The Kailan mines, part British- and part Chinese-owned, producing five million tons a year, is the largest coal-mine in China. There were rumours before the war began that the British interests were selling out. The largest Chinese-owned mine in the country, the Chungsing mine in Shantung, was destroyed by retreating Chinese troops to prevent it falling into Japanese hands.

their boasting they could not hold down the four hundred million people of China by force, or cause the Chinese to love them by killing them in hundreds and thousands, have consoled themselves with the prospect that, at any rate, China will be thrown back into misery and powerlessness, and that the industrial development and administrative centralisation accomplished in the past few years can be destroyed.

“It is certain that before the stage of guerrilla warfare developed the whole issue would be decided if Japan should throw her whole weight into the balance. In any event, before Japan could fall in the struggle, China’s movement to mould herself into a modern state and her programme of economic reconstruction would both go crashing down, leaving little of such central government as there is at present.” *Oriental Economist*, August 1937.

The Japanese ‘moderates’ would be content to take only North China provided that their guns and aeroplanes had wrought sufficient destruction over the rest of China to allay for a generation the fear that China would successfully modernise herself, industrialise, and reconstruct her agriculture on modern lines. Feeling that the work of reconstruction of the Chinese Government has already been smashed, they are prepared to sit tight in the North, force Britain to give the Japanese more power in the International Settlement at Shanghai, and leave the rest of

China alone for the time being. They might even be prepared to leave things in Shanghai as they were before the war, provided Britain were ready to give them the large credits they require to make North China a paying proposition. But the war in China has long passed the stage at which the Chinese government could be induced to accept the loss of North China, although it may soon reach a stage at which Japan would be glade to limit her commitments to the North.

Chapter III

CHINA ON THE EVE OF THE WAR

JAPANESE propagandists try to convince the world that they are bringing law and order to China, that they, and they alone, can modernise and bring peace and prosperity to their great neighbour, and that it is Japan's divine mission "to guide China towards civilisation." But Japanese press articles written for home consumption show clearly that the real aim is to prevent the unification and industrialisation of China, and keep her always disunited and too backward economically to stand up to Japanese demands. China, in Japanese eyes, is destined to be purely and simply a source of raw materials for Japanese industry and a market for Japanese manufactures. The prospect of China developing her own resources for her own benefit, which was about to become a reality, was the real cause of the present war. Quotations from the Japanese press given in Chapters I and II, show clearly that Japan's aim is to destroy the reconstruction work of the Chinese government and Chinese national unity, and that although responsible and informed

Japanese realise that their country will collapse if a complete conquest of China is attempted, the war will have been worth while in their view if only China can be ruined.

The actual progress made by China in the decade preceding the present war has to be considered under two aspects, the political and the economic.

Political unity may be said to have been achieved by the end of 1936, following on the Sian incident. True that the national government did not yet properly control certain outlying provinces and that North China was dominated by the Japanese troops. But improving transport and communications were bringing about a more completely centralised administration than China had ever known, and even North China was gravitating to Nanking in spite of every effort made by Japan to prevent it. It was, as we have seen, what the Japanese press termed "the energy and stubbornness with which the Nanking government is pursuing its set purpose of re-establishing its sovereignty over North China"¹ which directly caused the outbreak of hostilities.

The successive steps in the achievement of Chinese unity cannot here be followed in detail. 1936 was the year in which the South-West came under the administrative control of the central government. 1936 was the year in which the civil

¹ *Hochi, Chugai, Shogyo*, etc., in July 1937.

war against the Communists was brought to an end, partly because the Red armies had, by then, been pushed into the unfertile regions of the North-West, partly because they announced their readiness to cease "propagating class war" for the sake of national unity against Japan, and partly owing to the growing demand all over China that civil war should cease and the whole energy of the state be concentrated upon resistance to Japanese aggression and recovery of the lost provinces. The imprisonment of Chiang Kai-shek at Sian in December 1936, was the dramatic incident which marked, not only the end of a decade of Kuomintang versus Communist civil war, but also the decision of the central government to base itself more on the popular mass movement and to stand up to Japanese bullying and Japanese armed aggression. Once that decision was come to, it was inevitable that a Sino-Japanese war should break out sooner or later over the question of the status of the Five Northern provinces, which Japan already considered her own, and which the central government was determined to recover.

The significance of the Sian incident was not fully appreciated abroad at the time. The long civil war had enormously weakened the forces making for Chinese unity, and had prevented the central government either from spending its resources on economic development or resisting Japanese

aggression. It had been for Japan a guarantee of Chinese weakness and disunity. Japan had always counted upon continuing civil strife in China and discounted the possibility of a reconciliation between Kuomintang and the Communists. At the time when Japan seized Manchuria, Chiang Kai-shek was at the head of an army seeking to exterminate the Communists in Kiangsi, and the Generalissimo felt that an unequal military struggle with Japan would expose his government to both its enemies at once. For years he avoided war with Japan and intensified his war on the Chinese Red armies under the slogan "Unification first." During the period immediately following his break with the Communists in 1927, Chiang may have believed that he was fighting Moscow; in recent years he seems slowly to have come to realise that it was the material conditions of the peasants, not Moscow, which gave strength to the Chinese Communists.

The obvious fact that if national unity were not achieved soon Japan would acquire the hegemony of all China and shatter all hopes of either a Communist or a capitalist development of China, had led the Chinese Communists as early as 1935 to modify their policy sufficiently to make co-operation with the more liberal forces in the Kuomintang possible, and in 1936 to offer far-reaching concessions to Chiang Kai-shek

which, in fact, involved putting their doctrines in cold storage. The logic of events was driving the socialist and the bourgeois forces in China into a renewal of the 1927 alliance against the feudal and disruptive forces which Japan hoped to resurrect. In the 1926 campaigns the war lords had been vanquished by this alliance, but it had broken too soon for a real clearing away of the forces of feudal reaction and decentralisation. Consequently the capitalist development of China had never got well under way. With Japan aiming at setting up the old reactionary war lord regimes, and splitting China once more in order to prevent her modernisation, a renewal of the alliance between the socialist and the bourgeois forces would probably have occurred even if this had not now suited the interests of the U.S.S.R. The fact that the national interest of the Soviet Union, menaced by the German-Japanese combination against it, urgently demanded a China united against Japan, facilitated the change over to united front tactics by the Chinese Communists. But the change-over would probably have occurred in any case. For Communism in China, since the defeat and massacre of the proletariat of the great cities and the suppression of the trade unions by Chiang Kai-shek in 1927, and the consequent loss of its proletarian membership by the Chinese Communist party, has been mainly an agrarian movement. There is

therefore to-day little to divide the Chinese Soviet leaders from the more progressive forces in the Kuomintang. Both desire a radical land reform and the emancipation of the peasantry. As a Canadian delegate pointed out at the Yosemite Conference of the Institute of Pacific Relations, the Chinese Communist programme is more liberal than Communist. Its main point is the emancipation of the peasants, and since 1936 it has no longer insisted even on the expropriation of the landowner. As early as 1935 Chinese Communist policy had ceased to insist on the liquidation of the kulaks. Even the small semi-urban or semi-industrial bourgeoisie has been protected :

“ First, in order to uproot feudalistic remnants and simultaneously to form an extensive united front against imperialism, the land of those engaged in domestic industries, of artisans, priests, small merchants, and labourers, who purchased their property through their income from service, must not be confiscated, although they do not cultivate the land themselves. Secondly, in cases where land is distributed equally by demand of the masses, the land of rich farmers must be confiscated and they must also receive portions under the common distribution. Thirdly, the land of soldiers participating in armed conflict for national salvation must not be confiscated. Fourthly, the land of merchants who are also large landowners may be confiscated, but not their commercial enterprises.

“ In order to develop co-operative societies and

national enterprises, various means must not only be devised, but commercial and industrial development by individual capital must also be encouraged. Secondly, instead of dissolving existing commercial undertakings, they must be utilised for the development of commerce and industry in the Soviet districts and of commercial relations between non-Soviet and Soviet districts. Thirdly, in order to give freedom to the development of individual commercial and industrial enterprises, taxation must be reconsidered.

“ In order to elevate in general the material and cultural conditions of workmen and hired peasants and to increase their rights, excessive demands that cannot be fulfilled or that increase bankruptcy and unemployment must be abolished ; that is to say, the ‘ control of production by labourers ’ must be restricted.

“ Workmen, soldiers, and peasants of the Red army and the wage-earning class shall be given national rights. All participants in the struggle against Japan for national salvation shall be given the same rights. Secondly, bourgeois specialists shall participate in the construction of Soviet organs ; that is to say their experience and capital which may be useful to revolutionary enterprises shall be utilised to advantage. Thirdly, all non-Communist political parties, groups, or organisations of the social masses which are struggling against imperialism and its tools shall be given democratic rights and freedom. . . . If the internal organisation which is composed for the most part of workmen and peasants of the Red army is maintained, and the military and political guidance of the Communists is secured, it will be possible to

affiliate the petty bourgeois who are participating in the racial-revolutionary movement into the Red army."¹

The above quotation shows clearly that long before the Sian incident the policy of the Chinese Communists had become almost purely anti-feudal, not anti-capitalist. Its professed aims are compatible with Sun Yat Sen's Third Principle and with an alliance to include all the progressive elements in China. According to the above statement of policy only the parasitic landowners, i.e. the feudal element in China's social structure, are to be liquidated, and a careful distinction is made between the landowner who is merely a receiver of rent in kind, and he who is also a capitalist producer or merchant, i.e. a capitalist. The latter is to be encouraged to prosper and not ruined by "unreasonable" demands made by his workers.

In fact, a kind of N.E.P.² was proclaimed in 1935 in Soviet China, but the consequences of such a policy in a part of China without modern large-scale industry were bound to be far different from its effects in the U.S.S.R. When Lenin, in 1921, instituted the N.E.P. and told the peasants to get rich and allowed private trading, he made it clear that the "commanding heights"—large-

¹ Announcement made in August 1935 in a joint manifesto of the Chinese Communist Party and the Chinese Soviet government. *Problems of the Pacific*, 1936, pp. 168-169.

² New Economic Policy.

scale industry—would remain socialist. But in Soviet China there were no commanding heights ; it was a region of small-scale primitive production where N.E.P. meant in fact a more or less unhindered capitalist development.

The full significance of these concessions to the semi-capitalist, semi-landowning elements can only be appreciated if one realises that in China, as in Japan, the landowner is frequently also a merchant, a usurer and a petty industrialist. In other words, it is almost impossible to separate the feudal from the capitalist elements in China's social structure, and it remains to be seen whether capitalist development of the country is in reality possible, since this requires the liquidation of feudal methods of exploiting the peasants, and there is no independent bourgeois class free of affiliation to the landowning and village usurer interests to do the liquidating.

Communism in China, having in 1927 lost its basis amongst the industrial workers in the cities and become almost entirely an agrarian movement, was by the logic of history transmuted into a movement of peasant emancipation. This meant that after a futile attempt, in the 1928-1934 ultra-Left period, to suppress the wealthier peasant and the petty industrialist and trader, it acknowledged openly in 1935 that it was no longer anti-capitalist. The logic of internal necessity was reinforced by external pressure. The advance of

Japanese imperialism on Chinese soil meant that soon, if civil war continued between the semi-bourgeois Kuomintang and the petty-bourgeois Chinese Communists, Japan would wipe out both the capitalist and the petty bourgeois and reinstate the old discredited and defeated feudal elements. Realising the imminence of a Japanese conquest of China, which would have destroyed any possibility of her developing industries, either on capitalist or socialist lines, and kept her as a source of raw materials for Japanese industry, the Chinese Soviet leaders by the autumn of 1936 were prepared to make even more concessions for the sake of national unity. In August 1936 they issued a manifesto to the Kuomintang proposing a formula for co-operating in a national liberation movement. They asked for a "National Defence Democratic Government within a National Defence Democratic Republic," "popular rights for the mass of the people," and intensification of the development of the country's economy. The Chinese Communists were now, in fact, bidding for the support of all those elements in and outside the Kuomintang which opposed the military dictatorship and wanted a democratic form of government. Their manifesto ran :

"We will support a parliamentary form of representative government, a government which protects and supports all popular patriotic groups.

If such a government is established, the Chinese Soviets will become a part of it; we will realise in our areas the same measures for a democratic parliamentary form of government as are realised in the rest of China.”¹

Although, in his interview with Edgar Snow at this time, Mao Tse-tung hedged in answer to the question: “Is the Communist Party willing to give up, or postpone indefinitely, the practice of land confiscation from landlords and redistribution to poor landless peasants?”, his answer makes it clear that he thought war against Japan must inevitably lead to peasant emancipation. Moreover, he clearly acknowledged that Communist party policy was henceforth one of co-operation with the bourgeois elements in the Kuomintang, and that their aim was bourgeois democracy, not proletarian dictatorship. “We are confident,” he said, “that the anti-Japanese programme cannot be realised without relief to the peasantry. Agrarian revolution, as you know, is of bourgeois character. It is beneficial to the development of capitalism now in China but against imperialism. This principle meets the demands of all democratic elements, and we support it whole-heartedly.”

The vital difference as between the position in 1927 and 1937 was that by the latter year the anti-imperialist struggle meant fighting a power

¹ *China Weekly Review*, November 21st, 1936, article by Edgar Snow.

which was not ready to compromise with Chinese nationalism, as British imperialism had been ready to compromise in 1926-1927. The ties between the Kuomintang and the Communists were severed in 1927 when their armies reached Shanghai and Chiang Kai-shek secured the support of the Chinese bankers and compradores whose interests were linked up with those of the foreigners. Having got this financial and political support, Chiang had the prospect also of being able to reach an agreement with the imperialist powers, in particular with Britain, which was pursuing a consistent policy of conciliation with the right wing of the Kuomintang in the hope of detaching it from the revolutionary forces of the left Kuomintang and the Communist party. Chiang could therefore afford, in 1927, to break with the revolutionary elements whose influence and propaganda had ensured him an easy victory over the war lords in the famous march north from Canton in 1926. Henceforth he would continue the unification of China by military campaigns backed by the financial power of the Shanghai bankers and merchants, instead of through the popular movement for reform or social revolution.

In 1927, faced with the acute danger of a Soviet China, the Western imperialist powers were prepared for compromise, and for the gradual emergence of China as a sovereign

state. The eventual annulment of the unequal treaties, but the preservation of British investments in China, was certainly a lesser evil for British imperialism than the revolutionary development of China and the expropriation of foreign interests. The British Foreign Office had the wisdom to perceive that there was no third alternative and it therefore backed Chiang Kai-shek, and agreed to Chinese tariff autonomy and to the gradual further recovery of Chinese sovereignty. But in the following decade Japan advanced as the other imperialists retreated. Japan alone endeavoured, not only to keep China in its old semi-colonial position, but to convert it into a Japanese colony. There was no real possibility of compromise with Japan on account of the military character of the latter's imperialism. The development of Chinese resources by foreign capital was useless to Japan unless China were opened up exclusively in Japan's interest, and she could prevent others either buying or selling there. Being economically and financially the weakest of the imperialist powers she sought absolute political control.

By 1936-37 it was clear, even to those Chinese who were most anxious to avoid war, that there was no possibility of compromise with Japan as there had been with the other imperialists. Hence there was a powerful incentive for all the social elements to draw together to resist the

Japanese menace, which threatened the very existence of China as a nation. The unity of 1924-26 was re-established in 1937, but with the Communists playing a subordinate role, and the aim was the expulsion of the Japanese army from China, not the immediate abrogation of the unequal treaties or any threat to the investments of Britain, France, and the U.S.A. In other words, unity in 1937 is unity under the military dictatorship of Chiang Kai-shek and right wing Kuomintang ascendancy, and without serious menace to the interests of the Western powers.

If the war is prolonged year after year, if Chiang Kai-shek's model divisions are wiped out by the Japanese, if only the most desperate measures can save China, then no doubt a Left government will be established more and more under Communist influence, whether or not Chiang Kai-shek heads it. But so long as even a limited amount of political and material support is given by the Western powers, so long as a thin stream of munitions continues to enter China through Hong Kong, so long as Chinese credit and currency are not undermined, it is unlikely that the Chinese war of national liberation will lead either to social revolution, or to exclusively guerrilla warfare, or to a state of semi-anarchy in the countryside, or to a general attack on foreign vested interests in China.

Prior to the Sian incident Chiang Kai-shek

refused to recognise the sincerity of the Communist offers. He evidently regarded the new line of the Chinese Soviet leaders as a manoeuvre and nothing more. He and the Communists had abundant cause to hate each other. In their eyes he was the hangman of the revolution, the executioner of thousands of Communists and workers in the streets of Shanghai, Canton, and other cities in 1927, the man who for a decade had bent all his energies to the extirpation of the Red armies, and had crushed the trade unions out of existence and executed or imprisoned every Communist he could lay his hands upon.

In the eyes of Chiang Kai-shek the Communists had prevented the unification of China, had forced the central government to spend its scanty resources on waging civil war instead of an economic reconstruction and the strengthening of defence against external aggression. Their very existence gave the Japanese a pretended excuse for aggression and their policy offered the only alternative to his own.

How, in these circumstances, could there ever be a reconciliation? How could either side ever trust the other again? The significance of the Sian incident cannot be over-estimated in this connection. At a time when Chiang Kai-shek was at the mercy of his enemies, when junior officers of the north-eastern army, who had been sent to fight the Red army but had fraternised

with it instead, were clamouring for the death of the Generalissimo whom their leader, Chang Hsueh-liang, held prisoner, the Communists exerted their influence to have him released. Hollington Tong says in his authorised biography of Chiang Kai-shek: "The Reds themselves did not desire the elimination of the Generalissimo. Nor did they show any wish to exploit his imprisonment." He goes on to say that this was because they thought "that they would be blamed by the nation for any misfortune that might come to him." It would be truer to say that they realised that only under Chiang Kai-shek's leadership could China hope to resist Japan in view of the unique position held by the Generalissimo in the mind of the Chinese people, to whom he has become the symbol of national unity and national liberation.

If Sian helped to convince Chiang Kai-shek of the sincerity of the Communist offer, it must also have allayed the fears of the Chinese Soviet leaders and made them believe that Chiang Kai-shek could be trusted not to exterminate them if they delivered themselves into his hands. On his return to Nanking, Chiang Kai-shek made no move to resume the war on the Communists in the north-west; at the February congress of the Kuomintang in 1937, resistance to Japanese aggression, instead of the old slogan "unification first," became the main plank in

the government programme, and in the early months of that year it was rumoured that supplies of food were being sent to the Soviet armies by the central government. Chang Hsueh-liang, who had taken the Generalissimo prisoner, was neither executed nor disgraced.

Naturally, the fact that the Chinese central government had in reality come to terms with the Communists was not openly proclaimed. If its prestige were to be maintained the peace must be represented as "repentance" on the part of the Communists; since the latter had, in fact, performed almost a complete *volte face*, this was easy.

Following the Sian incident, either as a result of an actual agreement with Chiang Kai-shek or as a further bid for reconciliation, the Chinese Communists proclaimed themselves ready to make further concessions; concessions so far-reaching as to amount to what the central government might take as meaning complete "repentance." For, in place of the former Popular Front, the Communists now spoke of collaboration with all parties and interests, even the feudal land-owning class, in a United Front.

On March 15th, 1937, the Chinese Communist party broadcast the following statement in English from the Soviet regions in the north-west:

"Regarding the question of class struggle the Communist party of China has repeatedly proclaimed that the immediate task of the party is to struggle

for the unity of the nation and to realise the *national united front* to resist the aggressor. For this aim the Communist party has repeatedly appealed for the cessation of class war. . . .

“Furthermore, the Communist party of China has proclaimed on its own initiative the cessation of confiscating the land of the landlords. All this goes to prove that at present it is not promoting class struggle, in order to concentrate its attention to the great cause of national emancipation.”

The formal change in the status of the Soviet areas came about in the late spring of 1937, when the Red army assumed the Kuomintang uniform and became part of the national armies of China. According to an American writer who visited the ex-Soviet regions at this time,¹ Mao Tse-tung gave the following instructions to the Communist Party Conference in May :

“We support the theory of the transformation of the revolution. The democratic revolution will change to socialism. In this democratic revolution there are several stages of development, but all are under the slogan of the Democratic Republic and not under that of a Soviet Republic . . . we are for passing through all necessary stages of the Democratic Republic to reach socialism.”

The Chinese Communist party has completed the circle and its policy to-day might be described as Menshevik rather than Bolshevik, social-democratic rather than Communist. But it is

¹ “The Passing of the Chinese Soviets,” by Nym Wales, in *Asia*, February 1938.

difficult to see what other line it could pursue in face of Japan's determination to make China into a colony. Its programme, even before the war began in July, was mainly concerned with the anti-imperialist struggle against Japan and hardly at all with internal social policy. Of the ten points which it put forward after hostilities began, as a tentative programme which it was hoped the Kuomintang would agree to, nine are concerned with the struggle against Japan and only one exclusively with the "improvement of the life of the people." In this the points emphasised are the removal of unjust surtaxes, decrease of taxes and decrease of rents—relief to the peasants and the petty bourgeoisie, not to the proletariat. "Freedom of patriotic activity" and freedom for the people to arm themselves come in as part of the mobilisation of the masses against the Japanese.

The permanent contribution of the Chinese Communists to China may well be the creation of a Soviet form of representative government without the dictatorship of the proletariat or of one political party. This would solve the difficult problem of democratic government in a primarily agrarian country of so vast a size as China, and eliminate the old corrupt and oppressive provincial and village administration of the landed gentry, which is so great an obstacle to Chinese progress, but which cannot be supplanted by a

strongly centralised administration without the development of local organs of self-government.

In the elections in the "ex-Red areas" which took place in the summer of 1937, following on the incorporation of the Red army into the national army and the substitution of the term "Bordering Districts of Shensi, Kansu, and Ninghsia" for the Chinese Soviet regions, the system followed was one of election of village representatives to each district, and of *hsien* (county) representatives from among these, and then again of representatives to a Central Assembly from the *hsien* representatives.¹ This follows the Soviet "pyramid" model. But whereas previously landlords and capitalists might not vote, all classes now have this right equally, and all parties have the right to nominate candidates and carry on propaganda. The Assembly elects a Governor who has to be confirmed in office by the central government at Nanking, and the Assembly is the governing body of the province.

Having now thrown their weight behind the democratic forces in China, the Communists may have found a real solution for the great problem of administrative reform, and an alternative system of government to the authoritarian

¹ The election ratio is one representative for every twenty voters in the village; one to every fifty in the district; one to every two hundred in the *hsien*; and one to every one thousand five hundred for the Assembly.

military dictatorship of Chiang Kai-shek. Such a change would not mean the elimination of the Generalissimo, but his conversion into a civilian President whose powers are based on consent rather than on armies.

As we have already noted, the original Japanese reaction to the cessation of civil war in China was to appear to be pursuing a conciliatory policy in order to induce Chiang Kai-shek to renew the civil war on the Soviet regions. If the external pressure were withdrawn China would, they hoped, fall to pieces again. But it is not so easy to bring about disunity, once unity has been achieved, and why should Chiang Kai-shek for the profit of Japan fight Communists who had "ceased to propagate class war" and who had put their armies under his command?

So well did the Japanese appreciate the importance of the "re-marriage" of the Kuomintang and the Chinese Communists negotiated at Sian, that they now list together, as examples of British action against Japan, the assistance given by Chiang Kai-shek's Australian adviser, Mr. Donald, in arranging the settlement with the mutineers, and the assistance given by Sir Frederick Leith Ross in putting through China's currency reform.¹

¹ "The currency reform planned by Sir Frederick Leith Ross was designed only for the benefit of China and

The Japanese were no less alarmed by the signs of China's increasing economic strength than by the clear evidence that she had at last achieved political unity. True, the vast reconstruction projects of the central government were still in the embryo stage, and could not be carried through without the assistance of foreign capital. But what disturbed Japan most was that this foreign capital showed signs of being forthcoming. China's currency reform, carried out in 1935 and 1936 with the co-operation of British banks and the blessing of the British Government, coupled with the general recognition abroad that the Chiang Kai-shek regime was the most stable, strong, and incorrupt government China had ever known, was making it possible for ordinary commercial credits to be obtained. Whereas in the past the powers had always demanded either collateral security, or concessions, or the right to place guards on the railways, or the

Great Britain, and did not serve as much of a contribution to the peace of the Orient, although such reform might have been necessary for China. Above all, the good offices undertaken by Mr Donald during the Sian incident, when the British adviser to Chiang Kai-shek worked hard for reconciliation between Chiang Kai-shek and Chang Hsueh-liang, which resulted in the *rapprochement* between the Kuomintang and the Chinese Communist party, cannot be said to have been desirable for world peace." From an article in the March 1938 issue of *Contemporary Japan*, by Ryichi Kaji, one of the editors of *Asabi*.

recognition of "spheres of influence," before granting loans to China, it now appeared that China would be able to develop her resources and her industries with foreign capital obtained without any loss of sovereignty. In short, China was emerging from her semi-colonial status to that of an independent sovereign state whose ability and reliability in the manner of interest payment was recognised by the Western powers no less than the impossibility of forcing her to remain a semi-colony. I have already given a quotation on page 24 (from August 1937 issue of the *Oriental Economist*), the concluding sentence of which expressed Japanese misgivings concerning China's increasing imports under long term arrangements tantamount to loans, and "the increasing degree of international sympathy with which she was being regarded."

China's currency reform, whereby a managed paper currency based on foreign exchange at a value of 1s. 2½d. to the dollar enabled the Chinese government to convert large quantities of silver into foreign currency reserves and so build up a foundation for credits abroad and a war reserve, was a direct blow to Japanese ambitions. Moreover the fact that the people had been induced to give up their silver in return for inconvertible notes, and that the new bank-notes came to be accepted throughout the country, was in itself

proof of confidence and national unity. One of the first gains which Japan hoped to reap from her war on China was the collapse of the new monetary system. The same *Oriental Economist* jubilantly predicted its collapse under the strain of the war, and stated that "the modernisation of China as a new state would certainly suffer an irreparable reverse."¹

China had not, of course, as yet been able to obtain anything approaching the credits she required to improve communications, develop raw material resources, set up industries, and equip her army with sufficient modern weapons of war to stand a chance of defeating the Japanese in pitched battles. But the fact that she was on the way, the fact that British capital was again being invested in China, the fact that French, Belgian, Czecho-Slovakian, and even German capital was also participating in the reconstruction of China, and that the U.S.A. would probably soon follow suit, was sufficient warning to the Japanese that it would soon be too late for her to dismember or dominate China.

In order to attract new foreign capital for railway and other industrial development, the Chinese government has during the past few years resumed service on many of the old railway loans long in default, under arrangements with the foreign creditors providing for the cancella-

¹ *Oriental Economist*, August 1937.

tion of most of the arrears of interest and a considerable scaling down of interest rates.¹ This, together with the improvement of railway revenues, the currency reform, and the competition among foreign firms in various European countries to supply materials, made it possible for the Chinese railways to obtain loans and credits from abroad totalling more than a quarter of a million Chinese dollars, according to an estimate made by the American Council of the Institute of Pacific Relations.² It was reported in 1937 that the British Export Credits Department was prepared to guarantee large credits to finance sales of industrial equipment to China. This followed on Sir Frederick Leith Ross's advice that Britain should take advantage of the many contracts for railway materials, public utilities equipment, and machinery of all kinds which could be financed by "middle-term credits." Germany was playing the leading role in the sphere of railway construction, her exports of railway equipment to China being larger than those of any other country in 1935 and 1937, in spite of the grant to China of the British share of the Boxer Indemnity for the purchase of railway equipment in Britain. Belgium, France, and Czecho-Slovakia also played their part, and in June 1937 the American Export Import Bank

¹ *Far Eastern Survey*, Vol. VI, Nos. 10 and 15.

² *Ibid.*, Vol. VI, No. 15.

announced the grant of a credit of 750,000 dollars to finance the sale of American locomotives to China.

This new period of railway construction has to be sharply differentiated from the Battle of the Concessions over the prostrate body of China in the nineteenth century. As the above-mentioned report of the American Council of the Institute of Pacific Relations points out, the initiative in recent years has come from China, and the execution of the new projects has been in the hands, not of foreigners, but of the Chinese government or Chinese companies. "Foreign credits have been sought by China to carry out her own designs rather than merely pressed upon her to further the designs of others. Chinese capital has participated jointly with foreign capital in financing the new railways."

Not only this, but interest rates have run as low as 5 per cent, and no collateral security has been demanded.

"The willingness of the lenders to accept as security merely the revenues of the railway or Chinese government bonds has undoubtedly been enhanced by an increased confidence in the Chinese banks, which have in some cases acted as trustees for the foreign creditors."

The Chinese government has made it clear that, in spite of the imperative need for attracting foreign capital, it will only borrow on terms which

allow of economic reconstruction under Chinese direction and China's political independence.

“ That in any Sino-foreign undertaking 51 per cent of the shares shall be owned by the Chinese ; (2) that a majority of the directors shall be Chinese ; (3) that the chairman and manager shall be Chinese ; (4) that the foreign investors shall have the responsibility for technical planning and the provision of machinery and equipment ; (5) that Sino-foreign undertakings shall conform to the laws of the Chinese Republic and shall not call into assistance the extra-territorial rights and privileges in their defence ; (6) that in the purchase of materials preference shall be given to those of Chinese make ; (7) that Chinese staff, who shall have the preference of employment, shall be given appropriate powers in management, and that foreign staff shall be employed only when no Chinese staff shall be available.”¹

Since 1929 the customs and other revenues of the central government had been deposited in the Chinese, not the British, banks, and this had immensely strengthened them. A notable example of the part played by the Chinese banks is the case of the new (Hunan-Kweichow) railway, connecting some of the outlying western regions of China with Nanking, which was being financed by Germany with the Bank of China acting as trustee. This is only one of many long-

¹ H. D. Fong, *Toward Economic Control in China*. Quoted at the Yosemite Conference of the Institute of Pacific Relations.

term credit arrangements for the supply of German locomotives and materials to China.

During 1936 and the early months of 1937 rapid progress was made, following the institution of the managed currency system in November 1935, not only in railway construction but in general industrial development and foreign trade, and it seemed as if there would be a substantial flow of foreign capital into China.

The London *Financial Times* stated in the spring of 1937 that :

“given a continuance of the present revival in agriculture, trade, revenues, and finance, the national government may be in a strong enough position before long to operate its improved financial machinery in the service of rural reconstruction, the point at which renewed co-operation with the foreign investor will become most urgent.”

Although in reality the dawn of a new era had not arrived for the people of China, the faint light of hope was sufficient to lead Japan to attack her before foreign financial assistance, and internal administrative reform, had been able to make far-reaching changes and give China a fair degree of strength and material improvement. Chiang Kai-shek's critics might say that his government was concentrating too large a part of the country's scanty capital on railway and road development, but the Japanese were well

aware that improved transport meant real national unity and the possibility of administrative reform.

It would be a mistake to assume that even without the constant obstacles put by Japan in the way of Chinese reconstruction the way would have been easy for the National government. The fetters on Chinese progress which the Kuomintang and its Communist allies had tried to break by their anti-imperialist drive from 1924 to 1927, although loosened in the following decade, still hampered her progress at every turn, and the enormous difficulties encountered in transforming corrupt provincial administrations based on the landed gentry into an incorrupt and loyal civil service could only slowly be surmounted in so vast a country.

The existence of foreign interests operating under the privileges of extra-territoriality meant that Chinese wealth was drained away to the Treaty Ports (where it could not be taxed), and industrial development confined to the coastal areas.

More than two-thirds of all the steam tonnage operating along the Chinese rivers and the Chinese coasts is foreign-owned, as well as more than half the capital invested in cotton mills, and a large proportion of the capital invested in oil wells, tobacco factories, and banks. Two foreign-owned mines supply almost half the total coal production of China, and her iron deposits were for the most

part already in Japanese hands before the present war began. China only obtained tariff autonomy in 1929, and she is still prevented by treaties from instituting discriminatory railway tariffs, so that she cannot assist the development of Chinese industry by preferential freight rates any more than she can subsidise them effectively. A third of her state revenue has to be devoted to the payment of indemnities or interest on old loans contracted by the Manchus. The greater part of what remains has perforce to be spent on armaments to protect herself from the ever-present menace of Japanese aggression. The foreigners who skim the cream of the country's slow accumulation of capital are in the Treaty Ports, where they cannot be taxed by the Chinese government.

The whole course of Chinese development has been deflected and warped by causes which are in origin external, but have been reinforced by the reactions to them inside the country. The break-up of the old Chinese economy and political system under impact from the West, the anarchy and poverty which were the direct consequence of the robbing of China in the nineteenth and early twentieth centuries, and the breakdown of the old system of government, are legacies which might well have daunted the leaders of the Kuomintang party. At the same time the very reaction to the intolerable miseries suffered by the Chinese people during the past

century has created new obstacles to material progress. For Communism in China, whilst itself the consequence of agrarian misery and the exploitation of the foreigner, has also prevented, in much the same way as Japanese aggression, the mobilisation of the country's resources for reconstruction and China's emergence from her semi-colonial status. The attempts made for a decade by the National government to stamp out Communism, no less than the pressure of Japanese imperialism, have made it well-nigh impossible for funds to be devoted to the development of the country.

“ As a factor in shaping the course of reconstruction, the Sino-Japanese conflict has been no less important than the struggle with Communism. The two are indeed linked, inasmuch as the former has intensified the latter. The central government, feeling that an unequal military struggle with Japan would open the country to both of its enemies at once, decided to avoid war with Japan and throw its whole energies into the anti-Communist campaign. But although the central government avoided open war with Japan—if we except the Shanghai conflict and the Jehol episode—Japan's aggression had economic effects which very materially altered the course of reconstruction. The loss of Manchuria, in particular, involved serious economic loss. The Shanghai war and the Jehol affair were costly in men, money, and materials, to say nothing of the general feeling of insecurity created in the financial world. The direct and indirect loss of revenue made necessary the raising of tariffs and taxes. As

taxes go up, social unrest increases. This particularly affects the poorest peasants, who are compelled to sell their lands. More material is thus produced for Communism, and the vicious circle is complete. Furthermore, it is highly significant that Nanking drove the Communists out of Kiangsi province in 1934, the only year since 1931 during which Japan had not been actively aggressive. Thus Japan is in a measure responsible for the persistence of the Chinese Soviets and for the delay in getting to grips with the reconstruction problems."¹

It would also be true to say that, had it not been for the foreign powers, China's revolution would in 1927 have run its natural course towards the complete victory of the progressive forces, and not have stopped half-way with an uneasy balance struck between the feudal and the bourgeois-democratic forces. Moreover the Northern and Western provinces would have been brought completely under the sway of the National government instead of a compromise being arranged between the war lords who ruled them and Chiang Kai-shek. If the influence of the U.S.S.R. pulled one section of the national liberation movement over to the extreme Left, it is equally true that the influence of Britain and the compradores and bankers of Shanghai pulled Chiang Kai-shek and his adherents far further to the Right than would otherwise have

¹ *The Reconstruction Movement in China* by G. E. Taylor.

been the case. Whereas Japan is now preventing the unification and reconstruction of China, ten years ago it was Britain which prevented the emergence of a new and fundamentally reformed Chinese state. Moreover, even in 1928-29, Japan's interference in the North, together with Chiang Kai-shek's loss of the full support of the popular mass movement, prevented the Kuomintang government from winning more than the nominal submission of these provinces.

The internal political effects of both the civil war on the Communists and the constant menace of Japanese aggression had been to give undue preponderance to the military in China long before the present war began, and to reinforce the tendency to seek political unification by force rather than by economic reconstruction and social readjustments. Those who considered that economic reconstruction and social reform were the conditions of unification, as against those who put off the tasks of reconstruction until unity had been achieved, lost power. In other words, the left wing of the Kuomintang, representing the independent bourgeois forces and the intelligentsia, was overshadowed by the military, whose social basis was the landowners and rural gentry who form the provincial administrations.

The break between Chiang Kai-shek and the Communists in 1927 had in any case led the

former to rely more and more on the most Conservative wing of the Kuomintang, and to seek to achieve by force the unity which in 1926 was being achieved mainly by propaganda and popular support. At the same time the ultra-Left policy pursued by the Communists after the split had forfeited them the support of the left wing of the Kuomintang and forced the latter to submit to Chiang.

After the break between the Communists and Chiang Kai-shek and the destruction of their proletarian basis by Chiang's massacre of their adherents in Shanghai, and at the very moment when the left wing of the Kuomintang at Hankow was standing by the Communists and defying Chiang Kai-shek's rival government at Nanking, orders came to Borodin to break with the left Kuomintang, "suppress it," and organise a purely Communist regime. According to the account given in official Chinese sources,¹ Borodin kept the order secret, realising that knowledge of it would throw his Kuomintang allies into the arms of Chiang Kai-shek and the right-wing Kuomintang. But the terms of the Comintern's instructions were revealed to Wang Ching-wei by the Indian Communist, Roy. This ultra-leftism, following abruptly on the previous ultra-Right policy, destroyed all hope of

¹ *Chiang Kai-shek*: an authorised biography by Hollington Tong, London, 1938.

the further progress of the social revolution and gave the power to Chiang.

This meant in effect that the small bourgeois elements and the intelligentsia were alienated from the Communists and reluctantly gave their support to Chiang's military dictatorship.

Nevertheless, those who wanted civil, not military, control, and who dreamed of a democratic government based on consent and made possible by reconstruction and reform, in other words the liberals, continued to be represented in the Kuomintang, and by 1932 their influence had grown sufficiently to convince Chiang Kai-shek that the problem of Communism in China could only be solved by methods "70 per cent political and 30 per cent military." This meant that it came to be recognised that reforms, not military campaigns, could alone complete the administrative unification of China and give the country peace and the possibility of progress.

In fact the challenge offered to the National government by the Communist solution for the agrarian problem, and the sympathy this evoked among the liberal elements all over China, compelled the National government to take up the question of agrarian reform and not confine the benefits of reconstruction to the bankers, merchants, and landowners. It is generally recognised that the Communists have been valuable as a stimulus to improvements in the central

and provincial governments (especially in the areas reconquered from them), and that their influence has given strength to a more progressive ideal in the modernisation of China.

Chiang Kai-shek has in consequence expounded a land policy, but it has not been put into effect anywhere—not even in Kiangsi, where after four years of Soviet rule and the destruction of most titles to land tenure the National government had almost a clear field in which to create a new agrarian system. According to the land policy outlined in a message to the Kuomintang in 1930 the equalisation of land ownership was to be the settled policy of the party. It was to be brought about by restricting the maximum size of land-holdings and the imposition of graduated taxes upon those holding more than a certain maximum of land. These measures were expected to “induce the landowner” to invest his capital in other than agricultural enterprises, and to ensure land to those who till it. Co-operative societies, comprising landowners, peasant proprietors, and tenants, were to be encouraged, and to have priority in acquiring land put up for sale, and also to be assisted in purchasing by bank loans. These co-operatives were also to be assigned the task of redistributing the land “according to the needs” of their members. Since such co-operatives as exist are generally reputed to be in the hands of the landowners, there appears

little chance of any radical agrarian reform under this plan. In fact, like other measures of reform sponsored by the military, their carrying out depends upon the loyal co-operation of the local gentry, who are both landowners and officials, and it is difficult to imagine that even the New Life Movement can make all men virtuous in China, any more than the "Imperial Way" principle in Japan has abolished corruption in high places or oppressive parasitic landlordism.

It has to be admitted that in such provinces as Kiangsi, where reform of the local officials has been imposed from above by the military, the old abuses of provincial administration appear to have been greatly mitigated, if not completely abolished, and a new type of hard-living and incorrupt official has been trained.

It is, however, extremely doubtful whether "authoritative" reform from above can cure the ills of the Chinese countryside; the development of local self-government is clearly a surer basis for reform.

There was more to be hoped for from the activities of the bankers, who were introducing financial reforms and bringing in foreign capital, and most of all from the intellectuals and students whose wish is to teach the peasants improved methods of farming, to create local self-government, and to hasten industrial development along semi-socialist lines. It is

these elements which have taken the lead in the reconstruction work of the National Economic Council and who sponsored the currency reform of November 1935, which has been of such great benefit to China.

G. E. Taylor, in his *The Reconstruction Movement in China*, has distinguished three main divisions in the Nanking government: The rural landlords and gentry who, since the fall of the Manchu Empire, have dominated the agrarians and are to-day still an essential element in the working of China's rural economy;¹ the bourgeois interests, including the banks, industrialists, and rich merchants; the army, which binds the first two together, and is itself financially dependent upon the one for the collection of land taxes and upon the other for loans, as well as for the maintenance of essential imports. He further shows that whereas the revenues of the central government are largely derived from the industrial, commercial, and financial elements, the provincial governments draw as much as half their income from the land in the shape of land taxes. "As so much of the army is on a provincial footing," he continues, "it is easy to see that the army's connection with the agrarian system is fundamental. At the same time, it has to be careful to avoid policies and action that

¹ The system of examination for posts in the civil service came to an end with the Manchu dynasty.

would seriously interfere with the sources of the national revenue, that is with the banks (which carry 50 per cent of the internal loans), with the customs, the currency system, and with the general industrial economy."

It can readily be seen that so long as the government is predominantly military, there is an insurmountable obstacle to the clearing away of the old type of provincial administration in the hands of the landed gentry. Yet until the economic and political power of these landowners has been broken, their functions as tax collectors taken over by a centralised administration, and their administrative functions performed in part by a civil service and in part by elected organs of local government, there can be no rapid economic progress in China and no substitution of democratic for autocratic methods of government.

The position is immensely complicated by the "quadrilateral" nature of the Chinese landowner. If the bourgeoisie in China were an independent force, it could develop sufficient strength to force through the agrarian and administrative reforms essential for the modernisation of China. But, on the one hand, the interests of the merchants, bankers, and industrialists of the coastal cities are entangled both with those of the foreign merchants and bankers and with those of the rural exploiters. On the other hand, the petty

bourgeoisie and the landowners are Siamese twins. Many landowners are not only local officials, but also traders, usurers, and owners of small industrial establishments.

“As the landlord, he has his exorbitant rent; as the money-lender, he has his excessive interest; as the merchant, he has his income from the sale of monopoly-priced goods; and as the local official, he has his share, illegal to be sure, of the taxes demanded of the already burdened peasant.”¹

Whereas the Chinese Soviet governments endeavoured first to liquidate this quadrilateral being and then (see pp. 58-60) to differentiate between his function as a capitalist and his function as a parasitic landowner and a corrupt official, Chiang Kai-shek's New Life Movement is designed to reform him. If through precept and instruction along semi-Confucian, semi-Y.M.C.A. lines, and a semi-religious fervour, the landowner-official could be made incorrupt, just, and virtuous, then China could hope to create a new kind of administration without any shattering disturbance of the existing social structure. But then any social

¹ From an article by Norman D. Hanwell in the April 1937 issue of *Asia*. The material for the author's statements is drawn from the writings of Chen Han-seng, the foremost authority on agrarian conditions in China. He also quotes Dr C. M. Chang, the authority on local government, as stating that “Thus, the most important work of *hsien* (county) administration is left to a band of rascals, parasites, and ruffians.”

system could be made to work well if men were virtuous. Hence the criticism of the New Life Movement as essentially reactionary and "fascist," and the complaint from left Kuomintang members that it has done nothing to assist the unhappy peasant.

"When I consider the New Life Movement I think it unfortunate that, well meaning as the author doubtless meant to be, he has not yet realised that the most fundamental need of the Chinese masses is economic development. In other words to improve the people's livelihood as Dr Sun taught. In the New Life Movement there is nothing new to be found; it gives nothing to the people. Therefore I propose to replace this pedantic movement by another—that is a great campaign to improve people's livelihood through improvements of methods of production especially in agriculture. The aim of revolution is the material welfare of human beings or masses. If that is not reached, then there has been no revolution." (Madame Sun Yat Sen in *Asia*, September 1937.)

Whilst the New Life Movement sponsored by Chiang Kai-shek has endeavoured, in particular in Kiangsi after it was retaken from the Communists, to foster what the Japanese would term "self-help" in the villages, and the inculcation of virtuous principles in administrators, who are trained in semi-military fashion in government schools, the bourgeois elements and the intelligentsia have endeavoured to develop industry

and communications with the scanty resources at their disposal. Since so large a share of the state revenue after meeting foreign obligations goes on military appropriations, and since so large a proportion of the land tax still finds its way into the pockets of the local officials or goes to maintain provincial armies, the funds for a state-planned economic development have been exceedingly scanty, and the National Economic Council has never been able to put its grandiose schemes into operation. Consequently the modern banks have taken the lead in industrial development. If foreign loans had materialised on the scale it was possible to hope for before the present war began, the progressive capitalist forces in China would have been immensely strengthened, and there would doubtless have been real progress towards a predominantly civil form of government as well as intensive industrial development and a measure of rural rehabilitation.

There has been then over the past few years the progress, side by side, of a quasi-fascist reconstruction movement by force from above, calculated to disturb existing social relationships in the village as little as possible, and to rely on state power and compulsion rather than on the natural working of economic forces; and a capitalist development of the productive forces, sponsored by merchants and bankers, relying largely on

foreign credits and remittances of overseas Chinese, but to an even greater extent on the capital accumulation of the Shanghai banks. Neither development can be called a "liberal" or free competitive capitalist development, but there is obviously a real cleavage of interest as between the military who, especially in so far as the provincial armies are concerned, depend on the revenue derived from the land tax; and the capitalists, be they industrialists or merchants, who want the internal market to be widened sufficiently to allow the development of large-scale industry. The former do not wish to relieve the peasant of his tax burdens or of the system of forced labour on public works (although wishing to increase his capacity to produce), nor to get rid of the landowners and give their land to the peasants, but they do desire administrative reform which would increase the amount of taxes which actually reach the local and central treasuries.¹

The capitalist elements naturally want the peasant to have some income for the purchase of manufactures, and this necessitates not only improved methods of cultivation, but the emancipation of the peasant from the triple load of rent, debt at usurious rates of interest, and heavy taxation.

¹ Their programme is to a considerable extent modelled on Japanese state policy and history.

Chiang Kai-shek unites and smoothes over the differences between these two elements, both of which give him their support. Moreover, the banking and merchant interests are themselves closely bound up with the landed interest through mortgages, credits, and trade, and they rely on the army to maintain law and order. Lastly, all elements wanted to see China economically and militarily strong enough to resist the Japanese seizure of more Chinese provinces.¹

Now that the Chinese Communists have foresworn the anti-capitalist part of their pro-

¹ As an example of the conflict which frequently arises between the reforms instituted by the progressive capitalist elements and the counter, or parallel, reforms of the military, one can cite the check in 1937 to the progress of unification of the currency and centralised control over the issue of legal tender notes in the existence of authorised standard currency notes by the China Farmers Bank. This bank was hastily established at the time of the anti-Communist campaigns in Central China as a means of providing banking facilities in the areas recovered from Soviet control, and in 1936 its standard currency notes were given the status of legal tender. This action was taken because the military authorities were anxious to use the notes for further military operations against the Communists in the north-west. Early in 1937 the Ministry of Finance made regulations intended to control the issuance of notes by the Farmers Bank, but it was thought doubtful that they would be enforced because the bank was under the virtual control of Chiang Kai-shek and was being utilised for the financing of the army. Yet it was obvious that effective control by the Ministry of Finance was essential for the future stability of the military system. See *Far Eastern Survey*, Vol. VI, No. 12.

gramme, there is really nothing to prevent co-operation between them and those Kuomintang elements who want a bourgeois-democratic China, a China in which the agrarian problem has been solved by lightening the tremendous burden of rent and taxation, and new sources of state revenue found through the exploitation of Chinese raw material resources and the development of modern industry.

Such a development is, however, only possible with the assistance of foreign capital, unless China takes the Soviet road, "liquidates" her landowners, and having emancipated the peasant, squeezes him to obtain the capital for industrial development along socialist lines.

It was, as we have already seen, the fact that China was at last finding it possible to borrow abroad on ordinary commercial terms which so alarmed the Japanese. If Japan had not launched her war to prevent the reconstruction of China becoming fact instead of plan, the influence of the banker-industrialist wing of the Kuomintang would in time have outweighed that of the military and of the rural landlords and gentry.

The slow progress of reconstruction is undoubtedly due in the main to the loss of revenue occasioned by the Japanese conquests, combined with the dissipation of national energy and resources on the attempted extermination of the Communists. But there has been the additional

difficulty of a lack of clarity as to whether China's modernisation was to be on capitalist, socialist, or semi-fascist lines; whether it was to be free (although state-aided) or controlled; and if controlled, by whom and in the interest of what classes. G. F. Taylor has drawn attention in an article published in the September 1935 issue of *Pacific Affairs* to the conflict in Kiangsi (after the expulsion of the Communist army) between the authoritarian methods of the military and the American-trained experts of the National Economic Council. The former trained magistrates in semi-military schools to make them capable of "organising the people"; constructed roads, parks, and other public works by the forced labour of the peasantry; opposed academic freedom; and founded "Young Farmers Moral Endeavour Societies." The latter endeavoured to set up welfare centres, educate the people, improve farming methods, and train a Civil Service.

However inadequate the New Life Movement may be to cure the ills of China, some kind of "moral principle" to take the place of the outworn tenets of Confucianism naturally appeared essential to the rulers of China if the Communist ideal were not to defeat them in the end. It may be expected, however, that the authoritarian principles of Chiang Kai-shek will be modified, once the war is over, by the basically democratic ideals of the heterogeneous forces of the Left

which have united with him to save China from national extinction.

In conclusion, it is worth quoting the account given in Chiang Kai-shek's own diary of his conversation with Chang Hsueh-liang when the Generalissimo was held prisoner at Sian. It reveals Chiang Kai-shek as more of a seventeenth-century Puritan than a post-war European dictator. His insistence on *personal* integrity, rather than on ends justifying means, marks him off from the European dictators, and shows his New Life Movement as a kind of Puritan national resurrection movement, a revised Confucianism-cum-Y.M.C.A. ideal, rather than a fascist movement.

“Chang said that I was too despotic, and that even as a simple citizen he should have a chance to express his views about the affairs of the nation.

“I told him that I am bearing now the responsibility of the life and death of the nation, and all loyal citizens should obey the orders of the central authorities as well as those of their leader. If they captured their leader and tried to compel him to do this or that, could they still be considered as citizens?”

“Then Chang asked if, after my return, their proposals might be brought up before the central authorities.

“I replied that I would allow them to bring the matter up, but at the same time I must say that I could not agree with their proposals.

“‘If you do not approve of them,’ said Chang, ‘what then would be the use of bringing them up?’”

After Chang had accused Chiang Kai-shek of being too much inclined to the Right and said his thinking was "too old," he went on :

"Why do you insist on sacrificing yourself for the sake of principles and not think of the possibility of achievements? I think you are the only great man of this age, but why won't you yield a little, comply with our requests, and lead us on in this revolution so that we may achieve something, instead of merely sacrificing your life?"

Chiang thereupon, in a really moving passage, tried to convince Chang that if he, Chiang, tried to save his life by capitulating, he could no longer lead the nation.

"You really have not learned the great principles of revolution; hence you commit such serious blunders. If I should try to save my life to-day, and forget the welfare of the nation and the question of life and death of the race, or if I became afraid in the face of danger, my character as a military man will be destroyed, and the nation will be in a precarious position. This means that the nation will perish when I live. On the other hand, if I stand firm and would rather sacrifice my life than compromise my principles, I shall be able to maintain my integrity till death and my spirit will live forever. Then a multitude of others will follow me. Though I die the nation will live. So, if anyone wrongly thinks he can manipulate national affairs by capturing me and endangering my life, he is a perfect fool."

Nevertheless Chang continued to insist that no other course had been open than to exert pressure on the ruler by taking him prisoner.

“The active anti-Japanese struggle is the only way out for China (he said in a telegram to Reuters) and is unanimously demanded by the people. To realise this we continually offered advice, which was firmly rejected by the Generalissimo. We are thus compelled to keep him here to give him the last chance of awakening. . . . This is not a mutiny at all, but a necessary step of really consolidating all the political parties in the country to shoulder the responsibility of national salvation.”¹

The extraordinarily civilised behaviour of the protagonists in this picturesque incident gives a real insight into the Chinese character, with reasonableness as its most marked feature, and shows the patriotism and high standard of personal integrity on both sides. No one can study the Sian incident without realising the complete falsity of the Japanese picture of a China torn by civil strife, ruled by corrupt war lords, and incapable of setting up a modern state. Chang, having read Chiang Kai-shek's diaries, was ready to admit that he had misjudged him. Chiang Kai-shek, whilst insisting that he could not, and would not, give any undertaking under duress, nevertheless did in fact take notice of the opinion

¹ Taken from the Authorised Biography of *Chiang Kai-shek*, by Hollington Tong, Vol. II.

of his soldiers thus forcibly brought to his ears. Resistance to Japanese aggression did, in fact, as from February 1937, become the primary aim in the Kuomintang programme, and, as already noted, no reprisals were taken against the leader's captors. The incident should make the Japanese realise that the leaders of the Chinese nation to-day are men as single-hearted and devoted to the national interest as the "makers of Modern Japan," and that their way of aggression could not swiftly break up Chinese unity even though Japan took Shanghai, Nanking, and a score of other cities.

Chapter IV

OVERPOPULATION AS AN EXCUSE FOR JAPANESE AGGRESSION¹

WHEN Japan's first line of defence in propaganda fails she falls back on the overpopulation argument. If the foreigner will not admit that she is justified in her claim to "civilise" China and so fulfil her "divine mission" in Asia, then he may be convinced by the very different and somewhat contradictory argument that Japan's rapidly increasing population forces her "to burst out somewhere." The Japanese propagandist, and the Western apologist for Japan, are undeterred by the fact that China is just as "overpopulated" as Japan, and that the "wide open spaces" of Manchuria, although they have been a Japanese colony for nearly seven years have received only six or seven thousand peasant emigrants from Japan.

The idea that Japan has a special population problem is rarely discussed in the light of the facts. When is a country overpopulated? Is

¹ Part of this chapter appeared as an article by the author in the March 1937 issue of *Pacific Affairs*.

Japan, Germany, Belgium or Italy? Is China overpopulated, or India? A case could be made out for any of these countries, but it is only those which have the military strength to make their complaint heard whose contention is accepted. Who, for instance, ever heard of the Javanese population problem, yet Java has 816 persons per square mile. Secondly, if the "have not" countries really have a population problem, is the acquisition of other peoples' countries as colonies going to help solve it?

Overpopulation, as all leading authorities on the subject are agreed, is a relative, not an absolute, term—relative to the degree of industrialisation of a country, its access to raw materials, the use made of its arable land, coastal waters, and so forth. A small nomad people requires extensive territories to exist; a highly industrialised country like Belgium has no population problem although it has 170 inhabitants per square kilometre as against 175 in Japan. Germany, with a better appreciation of realities, does not speak of overpopulation, but of lack of raw materials. Japan complains of both. The Scandinavian countries do not complain of either, yet have managed to give their people as a whole what is probably, all things considered, the highest standard of life in the world to-day—all without colonies. But the Scandinavian countries are free from the operations of great

internal monopolies such as exist in Germany and Japan; they have no agrarian problem, because those who cultivate the soil own it and are organised in co-operatives. Britain, on the other hand, would undoubtedly be faced by the same economic and political problems as Germany if British finance capital operated at home instead of abroad and in the colonies—in other words, if Britain had no colonial Empire and no quasi-monopoly position on the world market with respect to certain vital raw materials.

What really faces us to-day is this. Any country which has made itself a "great power" by spending a large part of its wealth on armaments, and thereby created great trusts stifling the economic activities of the rest of the population at home, can insist on multiplying its population and then demanding other people's territory to solve its population problem.¹ Since the more a country spends on armaments the less resources it will have for developing its own territory and for buying raw materials to supply its own industries, the more it becomes able to bully and rob its neighbours the more it needs to do so. The whole process becomes a vicious circle,

¹ The Japanese Welfare Minister stated in the Diet on February 4th, 1938: "An increasing population is a basis for national advancement, mistaken birth control, of course, must be prohibited." *Trans-Pacific*, February 11th, 1938.

especially since it is the militarist, dictatorship, or autocratically governed, countries which encourage large families and discourage birth control so as to ensure a plentiful supply of cannon fodder. Moreover, it is in any case, those countries, like Japan, which are most backward culturally in which birth control is least practised—not only because the government discourages it, but because the people are not well enough educated to practise it.

In Japan the sale of books about birth control can still be prosecuted under the Peace Preservation Act.¹ In addition to the fact that limitation of the size of families is frowned upon by the authorities and by conservative public opinion, one must take into consideration the absence of doctors in very many villages, the poverty of the peasant, and the fact that the degree of literacy which his education permits him to attain to does not enable him to read anything but the simplest newspaper article or book. All this prevents the spread of knowledge of contraceptives and their sale far more effectively than any action of the government.

Japan proper has about 175 inhabitants per square kilometre, and about 940 per square kilometre of cultivable land. The Japanese empire as a whole, *excluding* Manchuria, has 135 persons per square kilometre. If only the land

¹ See *World Population*, by A. M. Carr-Saunders.

which is actually cultivated is considered, Japan proper has 1111 persons per square kilometre. The Japanese contention is that all the non-arable land must be disregarded, though it provides timber and could be used for fruit-growing and also possibly for some kinds of animal husbandry.

Before proceeding to examine the question of Japan's overpopulation more fully, it must be made clear that there are, beyond dispute, far too many people on the land, and that even the utilisation of the land not at present arable or used for any other productive purpose, would not in itself be sufficient to relieve the pressure. But this is not to say that robbing other people is a solution, or that Japan has no internal solution for her problem. The dearth of capital in agriculture is accompanied by a dearth of capital for the small industrialist, and the same fundamental disease accounts for both the failure to modernise agricultural technique or reclaim unused land, and the failure to provide occupation in industry for the surplus agricultural population.

The fundamental cause of Japan's agrarian backwardness and of the survival of small-scale industrial production and handicrafts is her failure to emancipate the peasantry, and in general to destroy the feudal survivals in her national economy, social structure, and political system.

Half the occupied population of Japan to-day

consists of peasants, and three-quarters of them are tenants for the whole or part of the land they cultivate. They pay *rent in kind* to a million entirely parasitic landowners who provide neither capital, nor seed, nor implements, nor scientific knowledge.

The landowners are mere receivers of rent and nothing more, and this system of exacting rents in kind must be called a feudal method of exploitation. It prevents class differentiation in the village and the emergence of a large class of prosperous peasant proprietors or farmers able to modernise their technique. For the peasant himself can never control the rice market; he has never been able to take advantage of the steady rise in rice prices, over the period 1870 to 1921, to accumulate enough to buy the land he cultivates or invest capital in it. The rents in kind are not a percentage of the harvest, but a fixed quantity of rice per acre, to be given up whether the harvest is good or bad. Hence the tenant bears the loss in a year of bad harvest (when the landowner's share may amount to 60 or 70 per cent of the yield), while the landowner gets his due quantity of rice whatever the harvest, except when tenant strikes and disturbances force him to reduce it.

There has been a continuing tendency, due to the ever increasing pressure on the land, to raise rents to a larger and larger number of bushels

per acre. The great increase in the yield of the land over the past half-century has been due to the use of chemical fertilisers and more intensive labour, and not to the introduction of animal- or machine-power in cultivation. The peasant still tills the soil with the same implements as of old, irrigates his land with a tread-wheel pump, threshes his grain by hand. Production depends almost entirely on human muscles and human sweat. The chemical fertilisers are bought by the peasant from monopolists who keep the price high and force the cultivator to sell a large part of his share of the harvest to purchase them. The landowner has benefited from the increased yield by raising rents, but contributes nothing to the increased cost of cultivation. The peasant is exploited in feudal fashion by the landowner, but also in the most modern capitalist manner by the monopoly business houses.

Naturally, peasants who have to give up half or more of the produce of their tiny farms as rent in kind, and a good share of the remainder to buy fertilisers, cannot buy livestock or machinery. The cost of fertilizers in recent years has amounted to a quarter of the market price of rice. The peasants have also had to pay interest on debts contracted in years of bad harvest, when the landlord's due came to 60 or 70 per cent of the harvest. It is clear that not only can they never accumulate capital or even

buy modern implements—much less machinery—but they are unable even to get enough to eat. This applies equally to the peasant proprietors left with a bare subsistence after paying their heavy taxes, and the interest at usurious rates on loans, and having to pay monopoly prices for fertilizers and any other products of modern industry which they have to buy.

Again, Japan's million landowners, most of whom own only a few acres, have no capital to speak of, and such capital as they do accumulate is used in usurious money-lending or to finance tiny industrial and trading enterprises. So long as the tenant can be made to pay up half the harvest as rent in kind, there is indeed no incentive for the landowner or rich peasant to invest money in agriculture as a business enterprise.

The payment of rent in kind, as contrasted with the feudal land system in Western Europe, no doubt largely accounts for the survival of the feudal features in Japanese economy. The medieval landowner in Western Europe, whose serfs had to work a fixed number of days per week on his land, had every incentive to allow the commutation of these labour services for a cash payment, in view of the well-known unproductiveness of forced labour of any kind and on account of the wide variations in the harvest in good and bad years. The Asiatic feudal overlord had no incentive to allow his serfs to buy them-

selves free ; payment of rent in kind, in contrast to labour service, secured him a stable income and still enables the modern landowner, by increasing the quantity of rice demanded per acre, to benefit from every extra ounce of sweat and fertilizer applied by the peasant to the soil. The origins of the differences between the Asiatic and Western European feudal systems are no doubt partly to be found in the peculiarities of rice cultivation on irrigated land, which gives a comparatively stable yield year by year, as against the wide fluctuations in European farming. To-day the landowner in Japan is the only small *rentier* element. The yield on land is lower than in large-scale industry, but it is secure.

This digression has been necessary to explain both the survival of a medieval social organization in Japan's villages and the vested interest of its million parasitic landowners in the primitive state of Japanese agriculture. Why should any landowner take the risk either of introducing large-scale farming with modern technique, or of clearing or draining Japan's uncultivated lands when he already has such an excellent investment ? He also has the political power to get the government to raise rice prices some time after the harvest, when the landlords, by trade or usury, have acquired even larger quantities of rice than they have received as landowners. How can tenants, with hardly a bare subsistence,

always undernourished and frequently starved, find any money to develop new lands ?

If the peasantry had really been freed of their burdens, and feudalism abolished, after the "Revolution" of 1868, then by the natural play of economic forces some would have prospered and others become landless, and the successful ones would in time have introduced modern large-scale farming with machinery, or at least with animal power. Instead of this Japan remains a country with so backward a technique in agriculture that I have calculated that the labour of a whole peasant family in the rice fields produces only enough rice to feed itself and two other families.¹ Not only is Japanese agriculture tremendously overmanned and undercapitalised but, far from being the world's masters in rice cultivation, the Japanese only produce about half as much rice per acre as is produced on plantations in Spain. The production of rice per acre in quintals in Spain is 58.2, in Italy is 45.5, and in Japan is only 31.0.²

Since Japan has never had a social revolution, but only palace revolutions, the peasants have never been freed of their burdens. What actually happened at the Restoration was the abolition of feudalism as a political system but not as an economic system. The peasants continued to pay rent in kind, and it mattered little to them

¹ See *Japan's Feet of Clay*, Chapter IV.

² *League of Nations Statistical Yearbook*.

that, instead of giving up half the harvest to their *daimyo* overlord, they had to give it up to a landowner, whether the latter was a samurai who had been privileged to buy it from the state in exchange for his pension bonds, or a city usurer or trader, or the village headman who, being the only man in the village with some money and some experience at the time when taxes in money were substituted for taxes in kind after the Restoration, frequently acquired possession of much of the land in the village as the creditor of other peasants. Those peasants who survived as "proprietors" have been so heavily taxed to provide money for armaments and subsidies to large-scale industry, and are consequently so indebted to usurers, that they are usually tenants in fact though not in name.

There is no space here to deal with the myth that the military aristocracy at the Restoration "gave up" the feudal privileges which in reality they merely commuted for cash or state bonds. The important point is that the feudal substructure remained, to cripple Japan's subsequent economic development. At the same time the absence of a bourgeois class, and the obstacles put in the way of the development of such a class out of the ranks of the peasants, small landlords, traders, and artisans, left all power in the state in the hands of the bureaucrats—descendants of the warrior ruling class—and the giant family

business houses. Economically Japan retained the medieval obstacles to the healthy industrial development which could have absorbed the growing population. Politically it became a police state, governed by a bureaucracy wedded to a plutocracy and spending all the country's resources on the means of aggression. It can indeed be said that in Japan capitalism became rotten before it was ripe. Japan never knew a period of industrial capitalism, like England in the nineteenth century, giving small producers a chance to develop their own fortunes and industrialise the country in an era of free competition and liberalism. Japan, whose industrial development was state-aided throughout, with no middle class of industrialists and no investing middle class, jumped straight from the seventeenth-century to the twentieth-century era of monopolies and imperialism. The great trusts (allied from the beginning with the bureaucrats and militarists), like giant trees, have prevented any light from penetrating through, and the vegetation below them remains dwarfed to this day.

Japan's economic structure is lop-sided; certain industries, notably textiles and armaments, have developed to gigantic proportions, while others have remained stunted. The home market is too narrow for most industries to develop along modern lines unless there is an export demand. Capital cannot be obtained by the small

industrialist except at usurious rates of interest. The average rate of interest charged by banks on long-term loans averages about 8.6 per cent, but even loans at such high rates cannot be obtained by most small businesses. An indication of the rates they have to pay is given by the fact that 15 per cent rates of interest for small business men are regarded as "relief." Capital accumulation is all appropriated by the big monopolists, who use it for a further expansion of selected export industries, or for investment in plantations or other enterprises in the colonies where super-profits can be obtained; or it is taken by the state, which uses it for armaments and military adventures which ultimately benefit only the same monopolists.

The failure to complete the industrialisation of the country means that pressure on the land grows continually more severe, since there are very few openings for men in industry. It is more profitable to employ young peasant girls "contracted" to the factories by their fathers. Men are only employed in considerable numbers in armament factories in handicraft and semi-handicraft industry, or as casual workers. Heavy industry as a whole is so poorly developed that metallurgy and engineering together employ only 20 per cent of the total of *factory* workers, a factory in Japan being an establishment employing five or more persons. As against

the total of two million employed in such factories, there are three million in non-factory industry (not including mining and transport)—in the tiny workshops of master craftsmen, artisans, and small masters. In spite of Japan's "phenomenal trade expansion" there are only a few thousand more workers in factory industry to-day than in 1929. The total number of those employed in industry, at the census of 1930, was 5.3 million, the figure being unchanged from 1920. Where did the increase of population between those dates go?

There were one and a half million more in commerce in 1930 than in 1920, and half a million more in public service and liberal professions. The tremendous number of those employed in commerce—four and a half million in 1930—is accounted for by household and small workshop industry. Hundreds of thousands of middle-men—little agents and jobbers—travel around giving out the raw material and collecting the finished product from farm households, workers' houses, and tiny industrial enterprises. Thousands are petty rice merchants and speculators. Hundreds of thousands more keep tiny shops—there is one shop to every forty-three inhabitants in Tokyo—where a dozen customers mean a good day's trade. Those who write so glibly of Japan's efficiency, rationalisation, and elimination of middlemen's charges, ignore these facts and

ignore the colossal waste of labour, not only in agriculture, where about fourteen million peasants produce only the same value of agricultural produce as two million farmers and labourers in England and Wales, but also in industry and commerce. There is a colossal waste of human energy both in agriculture, where every operation is performed by human hands with primitive instruments, and in industry, where innumerable tiny enterprises cannot afford modern machinery, and the primitive organisation of production requires a host of middlemen. Some little enterprises have a small motor worked by electricity—bought usually on credit at usurious interest—but production still depends mainly on human muscles and the dexterity of human fingers in the majority of enterprises. Here, in the tiny workshops and in domestic industry, women and children work unlimited hours for 2d. or 3d. a day. The Factory Acts do not apply to places employing less than ten persons, and twelve to fourteen hours' labour is common.

The "owners" of such enterprises are usually little more than agents of the big merchants, industrialists, and bankers who supply or finance their purchases of raw materials, assemble or distribute or export their products, and charge them usurious rates on their working capital and on such fixed capital as they possess. They have no hope of accumulating capital for expan-

sion, or of obtaining it from an investing public, because such an investing middle class hardly exists. It is obvious that Japan is "overpopulated," because industrial development is impeded, and because middlemen and monopolists drain away the funds which might modernise agriculture and industry and so provide both a larger internal market and more employment.

Nor must it be forgotten that the Japanese system of working factories on indentured labour means the employment of peasant children whose fathers contract them to work a certain number of years in a factory, or as "apprentices" of master craftsmen or small industrialists. Children who can be virtually sold by hiring them out at thirteen years of age are an investment for their parents, and so the poor—which means the majority of the population—are encouraged to have large families. One need only compare England in the early days of the Industrial Revolution, when the cotton mills were worked on the labour of pauper children similarly "apprenticed." When in the latter half of the nineteenth century factory legislation and the Education Act of 1870 had reduced the earning capacity of children, large families ceased to be advantageous, and a decline in the birth rate began. Children can even begin work at eleven in Japan, because a child is counted a year old at the end of the calendar year in which it is born,

and if parents are especially poor, children may be exempted from school and sent to work at twelve years of age. The International Labour Office report on *Industrial Labour in Japan*¹ shows 20 per cent of miners as never having attended school, and a further 27 per cent as having left elementary school before completing the course. Nearly half the miners are therefore illiterate or semi-literate. The corresponding figures for factory workers, according to the same authority, were 5·8 per cent and 14·8 per cent. Naturally so long as children remain a good investment, and work for adults in industry is hard to obtain, Japanese will continue to have large families. State propaganda and policy reinforce the economic causes, and the retention of primitive Asiatic laws and social customs controlling the status of women prevents the emancipation which would lead to less frequent child-bearing.

Not only do the big capitalists in Japan get a large part of their profits as exporters of the produce of domestic and small-scale industry—raw silk in particular, but also a large number of export lines—but they profit directly as employers of labour by the poverty of the peasantry. The inexhaustible supply of cheap female labour from the half-starved villages has enabled the Japanese cotton-mill owners to dominate the

¹ According to a table taken from the 1931 edition of the *Rodo Tokai Yoren*.

world market, and given enormous profits also to the rayon manufacturers. Obviously girls contracted to labour by their fathers¹ or other

¹ The following is a draft of the certificate of sale, *nenki-shomon*, in the case of a girl sold to the licensed quarters. The contract with a factory takes practically the same form, but in the case of the cotton mills it is usual for the original advance to be small, but for a sum of money to be sent monthly to the father.

Name of girl

Age.....

Dwelling place

Father's name

You.....proprietor of.....agree to take into your employ for five years the above-named at a price of 300 yen.

30 yen you retain as *mizukin* (allowance for dress), 270, the balance, I have received.

I guarantee that the girl will not cause you trouble whilst in your employ.

She is of the.....sect, her temple being thein.....

Parent's name

Witness's name

Landlord's name.....

Proprietor's name

Name of House

If the girl runs away from either licensed house or factory her father's goods, or his guarantor's goods, are liable to distraint. She dare not therefore return home even if she eludes the factory guards and escapes, for she knows that her father or his creditors will send her back.

For further details of the conditions of Japanese labour, see my *Japan's Feet of Clay and Lancashire and the Far East*.

male guardian, living in the factory dormitories and only allowed outside its walls twice a month, and further handicapped by their training in submissiveness to the male, form the most docile labour force imaginable. Even if their life in the factory gradually teaches them their unity of interest against their employers, they have little chance to combine. The greater part of their wages is sent home monthly, or taken against debts contracted by their parents; their homes, whose mainstay they are through their labour, are too far away to shelter them if they attempt a strike; the police are at hand to quell all "disturbances" if they try to revolt against the semi-servile conditions of their labour, and to capture them and hand them back to their "owners" if they try to run away.

Moreover, the competition of the serf-like labour of women in the factories brings down the general wage level for men and so benefits the employers in every industry.

Japanese industry, which profits so exceedingly from the miserably paid labour of women, suffers from a severe shortage of skilled male labour. In metallurgy and engineering a permanent male labour force is required if progress is to be made and other countries competed with. The fact that Japan's large-scale industry has been built up on the miserably paid labour of peasant girls accounts in large part for the weakness of her

heavy industry. Only a few branches of this have been developed—armaments, shipbuilding, and a few others. Although lack of coal and iron is one cause, the lack of skilled men is another of great importance. Japan's production of motor cars, in spite of the subsidies paid to encourage it, is about one-tenth of the Italian figure. Here there is also the factor of the narrowness of the home market and absence of the middle-class consumer. Her aeroplanes are notoriously poor in quality and reliability; she depends on imports for machine tools, and in general for the equipment of her heavy industries. The capitalists are even reluctant to take on and train large numbers of male workers for fear of strikes.

The small workshop can produce cheap articles of consumption for export, but when it comes to reliable machines, or machines cheap enough to compete on the world market, Japan is incapable of producing them in large quantities. If Japan had cleared away what one may term her feudal substructure, if she had emancipated the peasants and carried out the primary task of capitalism—the all-round industrialisation of the country—she would have been able to solve her population problem, supply China with the capital goods which China needs, instead of trying to prevent China's industrialisation and to force her to be a colonial consumer of

manufactures. In short, Japan would not now be attempting to stave off a radical solution of her own social maladjustments by the futile pursuit of a policy of permanent aggression.

Overpopulation is then, as already stated, a relative, not an absolute, term, and can only be considered in relation to a whole set of facts. Belgium, a highly industrialised country, can support as many persons per square kilometre as Japan, at a much higher standard of life. In Belgium the wave of the French Revolution swept away the feudal shackles on industrial development as they were never swept away in Japan, and this is a more important fact than that 40 per cent of Belgian land is arable as against the 20 per cent in Japan which could be cultivated and the 15.5 per cent which is. In any case Japan's extensive fishing grounds should to some extent compensate for the smaller arable area. Since the Japanese colonial empire is already larger than the Belgian, Belgium cannot be counted as more of a "Have" country than Japan.

The essential point in relation to the present Sino-Japanese war is that, because of the factors examined in the above pages, even the complete domination of China can do little if anything to solve Japan's population problem. The Japanese themselves recognise that their people cannot or will not emigrate to Manchuria. Starving or landless Japanese peasants might emigrate there,

in spite of the climate, if the government would provide capital for their settlement and if their creditors at home would let them go; but capital for any other purpose than armament or subsidies to big business is never forthcoming from the state. For a quarter of a century, at least, money to build roads in the Hokkaido and for other necessary public works to develop this northern island could not be found, but there is plenty of money for building roads of strategic importance in Manchuria. Similarly the Ministry of Agriculture and Forestry cannot get the most necessary budget allocations for drainage, flood prevention and irrigation in Japan, or even always enough to repair existing dykes and dams—hence the frequent disastrous floods and droughts of recent years and the consequent famines in many districts.

What then of the raw materials of Manchuria and North China? Will they help the Japanese peasant, worker, artisan, or small industrialist? It is difficult to see how. The big family trusts will not allow Manchurian coal to be sold to the Japanese consumer at lower prices than Japanese coal. The fact that cheaper coal would immensely benefit the whole country, by cheapening power, has not appealed to the patriotism of the monopolists. The same applies to many commodities. Manchuria could be made a metallurgical and engineering centre supplying cheaper machinery

to Japanese industry ; but this would not suit the monopolists *unless* they themselves controlled the new enterprises so as to keep up prices in the Japanese market. Again, much more food could be obtained from the Asiatic mainland, but Japan's landowners see to it that imports of foreign rice are restricted. As Baron Goh, the President of the Tokyo Chamber of Commerce and Industry, said in 1932 :

“ It will be easy to produce rice at half the cost of Japanese rice, but how our farmers will suffer from it. Coal is actually produced at half the home cost, but our coal industry is already suffering.”¹

True that a certain number of Japan's lower middle classes will be able to make a living in China selling drugs, and as usurers, tax collectors, policemen and officials, and army officers, but neither the peasants, workers, nor small industrialists will benefit.

There is no visible solution under Japan's present social system. The more colonies that Japanese aggression adds, the more insoluble will the problem become. All that Manchuria has so far done for the Japanese people as a whole is to increase their burdens by taxation and inflation to pay the cost of “ putting down banditry ” in Manchuria, which has already cost over a milliard yen. The expenditure on armaments, which before the

¹ *Trans-Pacific*, September 29th, 1932.

present war swallowed up all ordinary revenue and left all other expenditure to be met by loans, has lowered the standard of life of the people as a whole to near the starvation line.

Further conquests could only make the existing situation more insoluble and more acute. A poisoned man cannot be cured merely by stuffing him with food, because the blood stream will remain impure and certain vital organs will continue to be undernourished however much he eats. The majority of Japanese landowners are parasites, maintained by artificially high prices for rice, the employment of their sons in the army and the new colonies, and the diversion of peasant discontent toward hopes of profitable conquest. Armaments and an expanding export trade maintain the riches and power of the big family trusts, to whom the narrowness of the home market and the backwardness of agriculture and industry are immaterial. So long as these vested interests remain immune from attack, or even reform, there can be no solution of Japan's "population problem." There can be neither a modern agrarian system nor capital for the small industrialists, and this means that the economic development which could absorb the growing population cannot proceed.

When the Manchurian adventure was begun, the fascist-minded military groups who promoted it assured the people that this conquest was to be

developed in the interests of the masses, and that the "self-seeking capitalists" would be kept out. Manchuria's coal, iron, and agricultural resources would be put at the disposal of the whole Japanese people. Every landless peasant would be able to get land, every unemployed worker a job, and every small industrialist would be able to buy cheap raw materials and find a large market. The linking of Manchuria and Japan in one economic state-socialist *bloc* would make Manchuria a lever to force reorganisation at home. The "heaven on earth" to be established in Manchuria was to lead to a heaven on earth in Japan as well.

These claims are now seldom made, since it has become obvious that the big family trusts—Mitsui, Mitsubishi, Sumitomo, Yasuda, Okura, Asaho, etc.—have monopolised everything profitable in Manchuria, either directly or through the South Manchuria railway. Nor has emigration to Manchuria from Japan's poverty-stricken villages taken place. This is not because of the climate but because those who own the capital resources of Japan have more profitable uses for it than financing the emigration of their poorest countrymen. The excuse put forward to the Japanese people, now that it is clear that the conquest of Manchuria has only added to their burdens, is that Manchuria is of no use without North China and the establishment of a "pro-

Japanese" government for the rest of China—in a word, that only the crushing of Chinese nationalism and the enslavement of the Chinese people by Japan can solve the latter's economic problems.

The militarists still rant against the "self-seeking capitalists," but they co-operate with them in oppressing the Japanese people and in dismembering China. The old talk about an economic *bloc* with Manchuria has been abandoned because it would have injured the Japanese monopolists, whose ideal is small supplies sold at high prices, not cheap raw materials, machinery, and power for all.

As the *Japan Chronicle* stated as early as February 23rd, 1933 :

"The big interests are uneasy about the great changes that would take place if Japan and Manchuria were forced to become a real 'economic unit.' They have given many hostages to fortune outside the empire and they want to make the best of both worlds. What they really want is a monopoly control over the products of Manchuria, not so as to ensure a cheap supply of essential products for the population at large, but so that they may make the population at large pay a remunerative price in all circumstances. . . . The main feature of the situation is that the big concerns are at somewhere near their maximum of size, influence, and wealth and can only grow in the manner that they desire if they have a larger territory in which to be secure of their supremacy."

Thus foreign conquest, though it serves to make the rich richer in Japan, does not, and cannot, improve the condition of the mass of the people. On the contrary, it cannot but make their conditions worse, since less capital is available in Japan and the small man is even more at the mercy of the big monopolists than before, while the peasantry are more and more burdened and have suffered actual famines in many districts in the past five years. Their sons are now dying in tens of thousands on the battlefields of China, not to solve Japan's overpopulation problem, but to win new colonies for exploitation by a small circle of wealthy families. Since the conquest of scantily populated Manchuria has not relieved the pressure on the land in Japan, how is the conquest of China's teeming countryside to benefit the Japanese peasant? There will be even less capital for Japanese agriculture than before, once China's conquered provinces are open to Japanese investments; Japan's own industrial development, which might give employment to the surplus population of her villages, will not progress once her capitalists can get even bigger profits from the exploitation of cheap Chinese labour than from the exploitation of the somewhat better-paid workers of Japan.

I do not propose here to enter into a fuller description of the factors in Japan's national economy and social structure which prevent,

and must continue to prevent, any amelioration of Japan's population problem, even were Japan to acquire the hegemony of all East Asia, since I have already, in *Japan's Feet of Clay*, dealt with this subject in considerable detail.

It is true that, were all the markets of the world freely open to Japan, we should see an even greater flowering of Japanese export industries worked on indentured female labour and thus able to undercut Western manufactures. A lily may flourish on a dunghill, but this does not purify the dunghill. Free trade in foreign markets would not lead to the absorption of the surplus male population of the Japanese countryside, nor to a general steep rise in the standard of living of the mass of the people. Such a development, unlike the road of conquest of China by force of arms, might in time lead to the emergence of a strong middle class in Japan, and to changes in the political system which would open the way to the attainment of popular rights and liberties, and so to a trade-union and tenant-farmers' movement which would improve the condition of the people. But even this is not certain. The family trusts and the parasitic landowners might still maintain their economic and political power and prevent the small producers developing the country's productive forces.

As things are, the medieval features of Japanese economy must continue to keep the internal

market narrow and prevent the modernisation of agriculture. So long as the power of a group of bureaucrats and plutocrats, allied with the army, remains absolute; so long as the workers, peasants, and artisans are without political or judicial rights; and so long as women are juridically the chattels of men, there can be no development of strong trade unions and tenant-farmers' unions to win better conditions and a fairer distribution of the national income. In a word, so long as there is no radical transformation of Japanese society and a clean sweep of the feudal survivals, Japan will continue to disturb the peace of the Far East without solving her overpopulation problem. Japan is fond of telling the world that China cannot put her house in order, and that Japan seeks to do it for her. The time is long overdue for the Japanese to put their own house in order.

The fallacy inherent in the argument that the acquisition of colonies can solve Japan's economic problems, and the clear proof that the failure of the Japanese to emigrate is not due to lack of lands to emigrate to, or to climatic factors, has been given in the writings of Owen Lattimore, the well-known authority on the Far East. In a study of "The Mainsprings of Asiatic Migration"¹ he points out how agrarian poverty

¹ Published in *Limits of Land Settlement*, as one of ten essays presented to the Tenth International Studies Conference, July 1937.

in Japan is intensified by imperialist expansion. His conclusions are most pertinent to the present war in China :

“ In the contemporary phase no factor of geography, climate, or race even approaches the vigour of the economic factor. . . . The character of Asiatic migration as a whole has less to do with climate and the adaptability of race than it has to do with the vigour and adaptability of capital enterprise. Where capital is able or willing to penetrate, population will follow ; and it will follow not because it finds the climate or the working conditions that it prefers, but because it has itself been selected as suitable raw material by those who control the capital. . . .

“ Industrial Japan prospers at the price of agricultural depression, because financial Japan is weaker than its Western competitors and can make profits only if its own peasants are made subservient to its industrial and financial interests, providing cheap labour and consuming so little that profits must be made out of the export market for lack of a domestic market. Even so, the rate of capital accumulation is limited, and therefore capital relies also mainly on export markets. It is because Japanese capital seeks industrial and commercial employment, and avoids agriculture, that the Japanese do not emigrate to settle on the land. . . .

“ In China the migration of capital and the migration of people have now become deeply entangled with politics. The migration of Chinese to Manchuria, for instance, is now no longer a question merely of space available in Manchuria

and of migrants available from famine districts in China. The ruling factor is the profit of Manchuria to Japan. It is because of this factor that actual Japanese colonisation in Manchuria is likely to remain nominal. The chain is as follows: the ability of Japan to expand commercially and imperially demands the subordination of Japanese agriculture to industry. For this reason, *even successful expansion and conquest cannot result in raising the standard of living in Japan appreciably.* Since, in spite of the fact that Japanese conquest claims to bring law, order, peace, and prosperity to the regions taken from China, it would never do to raise these regions above the standard of Japan, the condition of the Chinese peasant in Manchuria must remain even lower than that of the Japanese peasant in Japan. This in turn means that there is no point in taking peasants from Japan to settle them in Manchuria. Such new colonisation as is considered necessary in Manchuria must therefore continue to be recruited from famine regions in China. Japanese colonisation will be restricted to relatively small and relatively expensive settlements of reservists, placed in Manchuria partly to protect strategic regions and partly in order to make Japanese peasants, who supply most of the conscripts in the Japanese army, think that the reservist organisations and patriotic societies are really able to do something for them. . . . Since at the same time Japan must justify its conquest of Manchuria by showing any profits it possibly can, no form of activity can effectively be forbidden to Japanese subjects for fear of arousing complaints and political discontent in Japan. For this reason, so long as individual Japanese are afraid of risking their capital in agricultural enterprise in Manchuria, but

are sure they can make profits out of drugs, drugs will continue to be among the most conspicuous phenomena of Japanese imperial expansion."

Although Japan had a good case against the British Empire for the difficulties placed in the way of her exports, and a good case against the U.S.A. and Australia for the ban on Japanese immigrants, this cannot be held to justify her conquest of China. In the first place, making the Chinese people hate her by killing them in hundreds of thousands, devastating vast areas of China and condemning millions of Chinese to famine, is hardly the way to increase her trade in that area. In the second place we have already seen that there is no question of Japanese emigration to China, and there can be no question of large-scale emigration of Japanese anywhere under the present economic and social system in that country.

However "morally justifiable" Japan's claim to occupy the empty spaces of North Australia, or of Siberia, or to emigrate to California, the islands of the Pacific, or elsewhere, the Chinese and the Indians can claim the same rights. In fact, whilst the Japanese have talked about being hemmed in their islands and have dismembered China by force of arms, the Chinese and the Indians have quietly emigrated to the islands of the Pacific in far greater numbers. The Japanese never really desired to emigrate; they merely

wanted to acquire a colonial empire in order to exploit the labour of others. Lastly, although the colour bar in America and Australia is quite unjustifiable, there is an economic issue here which it has obscured. So long as the present miserable wage scales and low standard of living prevail in Japan, Japanese emigrants must bring down the standard of life in the places to which they emigrate.

Whatever one may feel about the selfish and imperialistic policies of the whites, there is no reason to think that the Chinese—who have suffered far more from them than the Japanese—should be left to Japan's tender mercies as a consolation prize for the Japanese imperialists.

Finally, if Japan is admitted to have a population problem, her present policies are certain to aggravate rather than ameliorate it, and her failure to conquer China will be as much a blessing to the mass of the Japanese people as to the Chinese.

Chapter V

JAPAN'S INNER CONFLICT. IS SHE A FASCIST STATE?

THE word fascist is nowadays so loosely applied that it is in danger of becoming a mere synonym for reaction, or indeed a kind of general term embodying the powers of darkness from the standpoint of a democrat. The word bolshevism has been similarly vulgarised and distorted by having been applied by conservatives to all revolutionary movements aiming at social equality, and by the Japanese to all manifestations of nationalism in China.

In attempting to come to a conclusion as to whether Japan is, or is not, a fascist state, one is confronted at the outset with the lack of any clear-cut definition of fascism. If we are inclined to judge Communism by its professions rather than its works, and fascism rather by its works than its aims, that is largely due to the absence of anything but an obscure and mystical fascist ideology and to its lack of political doctrine. If the fascists said they were out for state

capitalism we should know better where we stand.

By contrast to the mystical and confused outpourings of the fascists the socialist concept is fairly clear, although we have begun to realise that "public ownership of the means of production and distribution" may exist and yet not be socialism, since if the state is not controlled by the people state ownership need not be socialism. In fact, according to this definition, the military control necessitated by the totalitarian warfare of the future which is now being prepared in Japan and Germany could be called socialism.

It is not proposed here to enter on a long discussion as to what is, or is not, socialism, nor on the other hand to attempt a comprehensive definition of the term fascism. It is, however, essential in considering both the weaknesses and the strength of Japan to compare her economic and her political system with that of the fascist states of Europe. One can at least postulate as the basic condition for the inauguration of a fascist regime, first, the existence of a ruined middle class in process of being proletarianised, and so in a condition to become the mass basis for a Nazi party; second, an organised, large, and militant working class feared by the big and the small capitalists and the landowners. An intense awareness of national humiliation might be added as a further condition. Once established,

a Nazi, or fascist, regime is marked by the unity of all the possessing classes around a leader who has won to power through the social support of the middle classes, and the subsidies paid by big-business interests on the verge of bankruptcy and vitally dependent on state subsidies and rearmament. Once established, the dictator represents the interests of all those who have "something to lose but their chains," and something to hope for from successful expansion of the boundaries of the state.

Autocratic governments, oligarchies, tyrannies, and even "dictatorships," existed long before fascism was ever heard of. The denial of liberty to the individual and the absence of political rights for the mass of the people, although it proves that a state is not a democracy, does not thereby prove that it is fascist.

Japan is still an old-fashioned, autocratic monarchy, and her Constitution, which embodies the concept of the divine right of the Mikado, has not yet been superseded either in fact or in theory. Her system of government has indeed more in common with the autocracy of the Tsars than with the dictatorship of a Hitler or a Mussolini.

Nor has there been any correspondingly radical change in the social and economic system. In Germany the state may be run in the interests of the capitalist class as a whole, but the individual

capitalist is circumscribed in every one of his activities: he may not invest his profits as he likes, nor charge "what the market will bear" for the products he sells; he must have a state-permit to obtain raw materials or new capital, to dismiss labour or to take on labour, or to change the wages he pays. The Japanese capitalist is not yet subject to anything like the same degree of state control, yet he has the same advantages as the capitalist has under the Nazi regime in that the state suppresses trade unionism for him and stifles all demands for representative government, and in that he receives state subsidies and the maximum of state protection and assistance if he belongs to the circle of families whose influence at court and over the government is paramount.

The small capitalist in Japan is too crushed by the monopolists for one to be able to say that he has privileges without obligations, but this may well be said of the big financial, industrial, and trading interests. The Japanese government keeps the working class and the peasantry without economic or political rights as in the fascist states, but the big capitalists themselves enjoy the liberties of a free economy. They are not yet controlled by the state and can still use the political parties in the Diet and the Court to obstruct the carrying out of policies inimical to their interests even when these are urgently demanded by the militarists in the "national" interest.

It is true that the trend towards a fascist polity and towards a totalitarian economy is strong, and is rapidly becoming much stronger under the strain of the war in China. But big business in Japan is strenuously resisting the attempt of the military to control its profit-making activities, instead of being, as in Germany, in alliance with the army against those Nazis who want "socialism." Nor is there unity of all the possessing classes in Japan around the leader of a mass party against the menace of a large, organised working class at home as well as for foreign conquest. In some sense they are united around the "divine" Mikado, and Japan's peculiar social structure is largely the result of the balancing role played by the Mikado and his bureaucracy as between the landowners and the capitalists. But this national unity in Japan is only real in so far as external policy is concerned, and is only secure so long as war does not entail too severe a strain. Once the expenses of the war and the needs of the war machine require sacrifices which cannot be placed entirely on the backs of the people, above all, once the prosecution of the war imperatively requires complete governmental control of industry, trade, and finance—or even state ownership—the cleavage of interests between the landowning-military wing of the ruling class, and the big-business wing will become more and more marked. Since Japan

has never had a large middle class composed of shareholders and *rentiers* and prosperous owners of medium-sized enterprises, but has a very large lower middle class, and since the only class which is in a position to stand out against the power of big-business interests is the landed-military interest, there is no possibility of the emergence of a fascist or a Nazi party with a real mass basis, to take power and hold the balance whilst preserving the incomes of both landowners and capitalists. The Mikado himself and the Court officials who surround him must be counted as belonging more to the capitalist side, although he is the largest landowner as well as the largest shareholder in Japan. The "young officers," or "military fascists," would like to relegate him to the same position as in the pre-Restoration period. Until and unless he becomes entirely a powerless god and loses all temporal power, he is the chief asset of the big business interests, i.e. the "moderates," and the only curb on the "extremist" military. In fact, just because the monarchy has never abdicated its power to parliament, it can now stand as a bulwark of the existing social system and, itself one of the largest capitalists in the country, exert its influence in defence of the oligarchy of wealth. ~~To abolish parliament in Japan would not, in itself, mean fascism, since the Diet has never had power.~~ The function of the Diet to-day is to guard the

Constitution which gives supreme power to the Emperor, and to preserve the powers of the civil bureaucracy and the Court officials against the "young officers" who seek to make the Emperor their puppet and wish to establish the totalitarian state with the Mikado as their Führer. Since the wills of the subjects have already been "coalesced in the will of the Emperor," no Führer can start coalescing them in his own. The will of the Emperor must become that of the army if the fascist state is to be established. The only possible kind of Führer is one who appears to be carrying out the divine will of the Mikado.¹

If Japan had a large militant proletariat for the capitalists to fear; or if she had a large urban middle class to act as a buffer between the big capitalists and the impoverished and aggressive urban and village petty bourgeoisie; or even if the landlords were owners of large estates, the great family trusts in Japan—the *Zaibatsu*—might not fear the national socialist aims of the army as they do. But the young officers are altogether too much in earnest in their hatred of the self-seeking capitalist, and would be too powerful if the

¹ In an interview, published in the *Trans-Pacific* of March 24th, 1938, Akiyama (referred to as Prince Konoye's "one man brain trust" and the man who is seeking to form the new state party "soon to be born") stated:

"Our ideal Hitler is one who in all obedience and docility resembles the model wife of old Japan, a featureless doll."

“national polity peculiar to Japan” were scrapped and the totalitarian state established. There would be many Röhm's, but perhaps no Hitler and no Schacht.¹

The question as to how far Japan can be said to be a fascist state is not merely a matter of theoretical interest. It is of the utmost importance in determining whether Japan can stay the course in the present war on China. It is also a vital question in any discussion of the effect which economic pressure on Japan from outside, whether by boycott or sanctions, or refusal of financial facilities, would be likely to have.

Japan is usually thought of as a country where there is an extraordinary degree of national unity. It is true that both big business and the military are equally anxious to secure the hegemony of China, but this unity of war aims can persist only if, as in Japan's past wars, she has a comparatively easy passage. In every previous war Japan has been able to secure foreign loans during or after the hostilities. In her first war on China in 1894 victory was so easy and so rapid that the cost was small and the indemnity imposed on China gave a

¹ In Germany the support of the *Junkers* and the army enabled Schacht, as the representative of the banks and trusts, to keep the upper hand over the socialist-minded middle classes who had expected to see the Nazi regime curb the trusts and limit their profits. In Japan the weight of the army would not be thrown behind the plutocracy since socially it represents small landowners and small bourgeois elements.

fillip to Japan's industrial development. In the Russo-Japanese war credits were easily obtainable from Japan's ally, Britain, and from the United States of America.

To-day, for the first time, Japan faces an enemy both determined and able to resist for a long period whatever the cost in lives and suffering, and to-day for the first time she can get no foreign loans. The Japanese financiers and the moderates in general are already alarmed at the prospect and anxious above all things to stop the army following the Chinese armies into the interior of China, and to allay the fears aroused by the excesses and the threats of the naval men against Britain, in order that British financial assistance may sooner or later be secured. Otherwise they see ruin ahead for themselves and perhaps for the whole nation. The *Oriental Economist*, organ of Japanese financial interests, in its issue of September 1937 devoted an article to a comparison of the financial situation in this and previous wars, warned its readers that there is this time no prospect of either loans or indemnities (a recognition that if the *Pax Japonica* is imposed on China it will be imposed on a devastated and ruined land), and ended with these ominous words: "In view of these foreign relations above we feel obliged to warn the nation of the fact that Japan to-day faces the most critical situation since the Empire's foundation." No

Japanese could express his fears in stronger terms, since at the time of the Restoration in 1868 Japan faced the danger of becoming a dependency of the Western powers.

The financiers realise for the most part that Japan has not got the strength now either to smash the armies and the government of Chiang Kai-shek or even to hold and develop those parts of China she has already conquered. They are inclined, therefore, to call a halt and wish to consolidate what has been won, and to pursue a policy conciliatory to Britain in order to obtain British capital. They also fear that if the war goes on Britain and the United States of America will easily be able to deprive Japan of her military gains. Although it is impossible to say outright in Japan that the imperial army cannot conquer China, such journals as the *Oriental Economist* indicate as much as clearly as they dare. An attempt is even made to convince the military authorities that they must not allow themselves to be "tricked" by the Chinese into extending the area of hostilities. The moderates in Japan would be well contented to sit tight in North China for some years before attempting to defeat Chiang Kai-shek in Central and South China; they see very well that the attempt to do so now must lead to the triumph of the military fascists at home, even if it does not lead to a revolution which would sweep away both the plutocracy

and the military landowning class. In an article entitled "The 1938 Outlook" the *Oriental Economist* writes :

" If the China conflagration is further aggravated to a point requiring far greater reinforcement of troops and heavier stores of arms and ammunition, Japan's economy will certainly feel pressure to an extent which is hard to estimate at this date. One group believes that the hostilities will be long drawn out while the other thinks the opposite . . . we are far from believing that our capable and thoughtful military authorities would be tricked into a long fight while knowing full well the motive behind such a move by the Chinese militarists."

The journal goes on to plead that Japan should "retain the upper hand with a comfortable reserve of both military and economic power," so that it will be impossible for the Western powers to force her to disgorge her conquests when exhausted at the end of the war.

The same warning is given in an article on "War Conditions and the Farmers," by Henichi Abe, in the *Chuo Koron* of January 1938.

" It would be extremely dangerous should we be exhausted after the war is over. The three-power intervention which followed the conclusion of the Russo-Japanese war was an international intrigue that was designed to take advantage of the condition of Japan after the war. An important part of war strategy is to retain and foster surplus power in such abundance as to enable us to win the next victory in addition to the first one. . . ."

The armed forces, and also certain sections of the business community, whose profits depend not on exploitation of the metals and coal of North China, but upon the ousting of British capital investment and commerce from the Yangtze region, are not content to stop at North China. Before the war began it was possible to distinguish two main trends of policy with regard to China, referred to in the Japanese press as the Yangtze ideology and the North China ideology. The former was then the more peaceful since it represented the predominantly commercial and manufacturing interests in Japan, in particular the textile interests whose prosperity depended upon access to markets and the goodwill of consumers. These formerly favoured a more conciliatory policy towards China. They even went so far at one time as to advocate the abandonment of East Hopei, and in general an end to the "peaceful" absorption of North China into the Japanese empire, since this aroused anti-Japanism and boycotts in the rest of China.

The heavy industrial interests and the banks closely associated with them, on the other hand, were mainly interested in China as a source of raw material supplies. Since Japan could not get exclusive control of China's iron and coal without political control of North China, they backed the army's activities there. Their interests and those of the army being most closely connected, they

naturally prevailed over the more liberal capitalist elements. The spread of hostilities out of North China having once committed Japan to a war aimed at destroying China's central government, it to some extent unites the erstwhile believers in the Yangtze ideology with the others; for if pro-Japanese puppet regimes could be set up all over China, both the heavy industrialists and the manufacturers could get what they want. The paradoxical position is that those who were formerly most in favour of a "positive" policy in North China are to-day afraid of the too positive policy now being pursued, while many of those who were once the "moderates" do not want to stop short at control of North China now that the war they wished to avoid is in full swing. If the war ends with no more than control in the North achieved, the commercial and textile interests will reap only the loss of Chinese goodwill and Chinese markets, whilst being subjected to heavier taxation and heavier production costs at home, which must make the retention of foreign markets more and more difficult. At the same time those who would prefer the war to end now, with North China a Japanese colony, but administered by a puppet Chinese government, may realise that such an outcome is no longer possible. So long as China's national army is not smashed, and so long as Chiang Kai-shek's government retains control over Central and South China,

Japan will not be allowed to settle down quietly to exploit North China.

The *Oriental Economist* in December stated: "If the skin-deep argument that China's territorial rights must be respected is permitted to prevail, and Japan is made to conclude an inadequate peace, then the danger of another China incident will be ever lurking at her door." The following statement in the *Miyako* expresses beautifully Japan's intention both to take and not to take:

"We have no idea of forcing China to cede territory to Japan, but we insist that the present war has testified that it will be repeated in the future unless a certain area of China is surrendered."

Since in Japan the big family trusts are interested in almost every sphere of industry and trade, there is no clear-cut division between those who want to try and conquer all China now, and those who wish only to keep the Northern provinces. Nevertheless it is noteworthy that it is such men as Mr Tsuda, head of the largest cotton-spinning mills in Japan, who makes the fiercest speeches against Britain and who insists that the war shall not stop till Japan dominates the Yangtze valley, while it is the financiers who are pro-British and "moderate" in their war aims.¹

However anxious certain powerful business interests in Japan may be to limit Japan's com-

¹ See Chapter VI.

mitments in the present war rather than risk the loss of everything by a long-drawn-out struggle, the small landowners, whose sons form the officer caste, cannot have the same view of the situation. Their economic position is too desperate for them to view the prospect of an end to aggression and inflation with equanimity, and they know that if Japan retreats now, with China undefeated, the army will suffer such loss of prestige as irretrievably to weaken its political power at home. Peace would mean not only that many officers would lose their jobs and other young men the prospect of jobs as officials in newly conquered territory, but that their relatives would be ruined if prices of rice and silk fell, whilst the burden of their debt charges remained as heavy as before. Peace might even mean that the parasitic landowners would fall victims to an agrarian revolution, if the peasantry, no longer diverted by the mirage of prosperity through foreign conquest, should turn against the landowners and the usurers at home. In other words, Japan cannot call a halt without an agrarian crisis followed by agrarian reform or revolution, either of which would do away with the parasitic landlord class from which the military derive their strength. Hence the landowners and the army officers see "permanent aggression" as the only way to maintain their material existence and political power. They

dare not turn back, for if they do they will be crushed between the anvil of the monopolists and the hammer of agrarian discontent. Before them in the U.S.S.R. and in China they see the spectre of Communism, which has abolished the landowners throughout the Soviet Union; in Japanese eyes it is synonymous with all movements for the abolition of imperial autocracy, which has already been overthrown in China and which they fear to see overthrown in Japan. If this spectre is not laid on the continent of Asia, they feel it will destroy them in Japan; for in the East the word Communism to-day stands for agrarian revolution.

The army does not accept the view that foreign loans, in particular British capital, are necessary to secure success in war. The army insists that Japanese industry, if nationalised and expanded, that is to say, if put entirely at the disposal of the army and the navy, could be made to produce all that is required. Hence the National Mobilisation Bill passed through the Diet in March 1938.

Article I of the Act states that the national general mobilisation referred to is "the control and utilisation of personal and commodity resources to display most effectively the entire force of the nation for the purpose of attaining the object of national defence in time of war (including incidents of the nature of war)."

The goods referred to as general mobilisation goods include military supplies, food, clothing, beverages, fodder, medical supplies, transport and communication facilities, materials for building and for civil engineering and lighting, fuel, and electric power. All enterprises producing, distributing, or repairing such goods come under the law.

The government may, according to the Act, give necessary orders concerning every action touching the "general mobilisation materials," and may also *use or expropriate them*. It may, that is to say, "use or expropriate" plants, etc., land, houses, and buildings. It may "restrict, prohibit or order," expansion of "general mobilisation enterprises," or order the establishment of cartels or guilds amongst the owners of such enterprises.

The government may also mobilise any or all citizens for specific work, order employers to dismiss or take on workers; settle the wages to be paid, and prevent or prohibit strikes and lock-outs. It may control all foreign trade, fix prices, insurance fees, etc., and "use or expropriate rights of mining and use of water." Capital investment can be completely controlled. The press and all other literature is subject to absolute control.

All citizens must if required be examined with regard to their "vocational abilities," and the

government can order technicians to be trained or research work to be done. It can force capitalists to store goods ; it can give them subsidies.

The whole Act is permissive, not mandatory, it being left to the discretion of the government to apply, or not to apply, any section of it.¹

Thus the government in Japan has been given the power to establish a military socialist system if and when required. Its defenders in the government insist, however, that it is not the same as the German Enabling Act of 1933, which operates all the time. This is merely for use "in time of war (including incidents of the nature of war)."

Imperial Ordinances are to be issued when it is considered by the government that the time has come for a supreme national effort. Japan has, so to speak, prepared her fascist polity, but has put it on the shelf for the moment. Meanwhile, the old Constitution promulgated by the Emperor Meiji continues in existence with a powerless, but still talkative, Diet. Meanwhile, also, Japan continues with her peculiar form of monopoly capitalism.

Prior to the passage of the National Mobilisation Bill a series of laws had been passed preparing the way for a totalitarian economy. There was, for instance, the Law for the Emergency Regulation of Capital Investment, which aims at reserving the

¹ For fuller details see *Far Eastern Survey*, April 6th, 1938.

whole capital accumulation of the country for the expansion of the armaments industries or other industries essential for war. No new shares may be sold and no loans obtained without a government permit, and enterprises are divided into three main classes, those in the first class to be given preference, and those in the last discouraged or prevented altogether from renovating or expanding their productive capacity.

In the first class are included mining, metallurgy, chemicals, shipbuilding, aircraft, oil refining, and industries supplying raw materials, machinery or power to the above industries. In the last class are such industries as textiles, food, and pottery. The industries producing consumption goods which are precluded from obtaining capital are precisely those in which the big family trusts have least interest. Not only this, but the Bank of Japan, itself closely associated with the monopolists of the iron and steel trades, is assigned a large share in the administration of the law. Under its leadership banks, clearing-house associations, insurance companies, and other investment agencies have been organised to carry out the objectives of the Act. This is what is called the "voluntary co-operation of financial institutions." The monopoly position of the family trusts has been safeguarded from competition through the tight control of new capital investment. Power to decide what

capital investments are permissible being vested in a committee on which the big capitalist interests are strongly represented, permits have, in fact, been issued to those who have a "pull" rather than because the new capital is to be used to meet war needs. Of the first three permits, one was given to a cotton-spinning company to increase its spindleage—in spite of the fact that 45 per cent of the country's spindles are sealed up—and another to the largest sweet manufacturers in Japan. The latter, it is true, did promise to manufacture "some special" food for the soldiers and sailors.¹

Up to now there has therefore been no real state control of new capital accumulation. As in the past, the big business houses themselves in fact control investment. The small man has even greater difficulty than in the past in borrowing, but the family trusts continue their self-financing with only nominal state control.

This immensely strengthens the stranglehold which the monopolists of industry and credit have always held over the small and medium-sized industrialists and traders. In Japan, where a few families have always owned all the commanding heights in the national economy, state control means control by the trusts. This, of course, is also largely the position in Germany

¹ See article by Guenther Stein in the January 1938 issue of *Foreign Affairs*.

under the Nazi regime, but in Germany the Nazi party is to some extent an independent force able to exert pressure on the trust magnates, whereas in Japan there is no national socialist party to represent, however ineffectively, the interests of the middle and lower middle classes.

One obvious consequence of the present concentration of heavy industry in Japan is that its productive capacity can never be fully utilised in peace-time unless Japan has exclusive rights in the Chinese markets, which of course means political control. For Japan's heavy industrial enterprises are being artificially fostered and are not efficient enough to compete on the open market with those of other countries. In this respect Japanese and German imperialism offer a marked contrast.

There is also the Law in respect to the Application of the Armament Industry Mobilisation Law for the China Affair passed in September 1937. The government is thereby empowered to "take control of, use or requisition the whole or part of factories and businesses which have any bearing on the requirements of war, or to issue orders for the distribution or supply of industrial raw materials, fuel, etc." Since a joint statement issued by the army and navy at the time assured the trusts that it was expected that the aims of the law could be achieved through "autonomous and positive

co-operation on the part of the private enterprises concerned," and that all that was meant by the law was that the government might guide private industry when necessary, there was no real change. As during the whole of Japan's modern history, the armament firms contrive to "co-operate" with the state to their very great advantage in the form of profits and subsidies. The young officers and their civilian supporters have no grounds for assuming that the "evils of capitalism" are to be curbed or the profits of the family trusts cut down. Nor is it to be expected that the state is going to be able to buy its munitions more cheaply than before.

The Law for Temporary Measures regarding Exports and Imports is another elastic measure which now means simply the restriction or prohibition of certain exports or imports, but has provisions which give the state powers to prohibit manufactures, compel the manufacture of others, and have goods distributed as it thinks fit. The government has so far failed to establish any real control of prices and concentrates on propaganda for reducing consumption. Reduced consumption has for long been a necessity for the mass of the people, since the cost of living has continually risen since 1931 and wages are much lower than in 1931 (when prices were about 40 per cent lower).

The family trusts have always in Japan been

so closely connected with the state that it was commonly said that they owned it. Since 1931 the landowning-military class has insisted not only on sharing this ownership, but on becoming the dominant partner, and to meet this menace the trusts have fallen back on the civil bureaucrats and the Court circles as their defence, instead of on the discredited political parties. Hence the political parties, which are well known to be the puppets of the capitalists, on account of the systematic corruption of the members and voters, have been forced off the political arena. "Non-party" governments of civil bureaucrats, admirals, and generals have been in office since the murder of Premier Inukai in May 1932. The Diet has continued in existence, but its function has been purely that of a rubber stamp. The political parties, deprived of their subsidies from the big business interests, wilted and dared not force an election by obstructive tactics, since they had no funds. Individual members who might wish to oppose the government were held back by fear of assassination by "patriotic" gangsters who, until after the military insurrection of February 1936, were practically uncontrolled by the police.

This does not mean that after 1932 the big capitalist interests abdicated and ceased to influence the government. It meant only that with military-bureaucratic governments in office and

therefore in control of state patronage and state policy, it was of more use to buy generals, admirals, and highly placed civil servants than to buy Diet members.

In other words, Japan, in 1932, reverted to the system of government she had known for the greater part of her modern history. The predominance of the army, and of cabinets appointed without regard to the support they have in the Diet, is Japan's normal type of government; the party governments in office in the post-war decade were aberrations from the normal. Japan has never at any period been a democracy or had a constitutional monarchy permitting of government by the elected representatives of the people. There is no need of a fascist regime to destroy democracy, since democracy has never existed and the possessing classes already have got all the advantages which a fascist dictatorship could give them without its disadvantages and dangers.

Japan has, however, got a Constitution, and since it has now become a bulwark against the extremists in the army, it is essential to examine it.

Japan's Constitution was specially designed by the makers of modern Japan in the eighties of the past century to prevent the representatives of the people from controlling the executive. It was intended partly as a façade towards the Western world, where democracy had not yet been discredited, and partly as a barricade against the

advancing tide of liberalism which had followed on the partial abolition of feudal privilege and feudal restrictions. It was modelled on that of Prussia, but with additional safeguards to prevent control of the Emperor and his advisers by the elected representatives of the people. It was expressly laid down that, in the event of the Diet's not agreeing in any one year to the budget, the previous year's budget should be re-applied. Marquis Ito, who framed the Constitution, having lived and studied abroad, realised that if once parliament gets control of the purse, there will sooner or later be an end to monarchy by divine right.

Since the Japanese Diet does not possess the right of either appointing or controlling the executive, and since it is *lèse majesté* to attempt to get the Constitution altered, the Diet has been powerless to do anything but obstruct the government of the day. Even obstruction cannot go far, since the Diet can at any moment be dissolved by the government. The latter's term of office does not depend on a majority in the Diet, since the ministers are appointed by the Crown and are directly responsible to the Crown. Moreover, the Diet can be ignored and an Imperial Ordinance issued over its head.

The myth of the Emperor's divinity was not, at the outset of the Meiji era, an accepted article of faith, but the Elder Statesmen were able to get it

accepted, and did so with the express purpose of hedging their own power about with such sacred taboos as to prevent any revision of the Constitution. Nevertheless, in the first few years of the Diet's existence, neither repeated dissolutions of the Diet nor the wholesale suppressions of liberal newspapers, the break up of meetings and prohibition of association, nor the imprisonment of leaders, nor the brutality of the police during elections, could break the opposition. The issue between absolutism and democracy was a real and live issue in Japan from 1877 until the Sino-Japanese war of 1894. The oligarchy, for all its manifold powers, was made to realise that it could not effectually govern in face of the determined opposition of the Diet. Accordingly it decided on going to war with China with the deliberate intention of distracting the nation from the demand for representative government and side-tracking the democratic opposition. Japan thus started on that course of military aggression which placed her under the domination of the military. After the war a regulation was enacted that the ministers of the army and navy and the colonial governors must always be generals and admirals on the active list. This gives the armed forces the power to make or break any government, and they have frequently exercised this power in the past as they are doing now.

From the Sino-Japanese war until the World

War the military aristocracy retained its power, but became closely associated by family and business ties with the great business houses, the chief of which are Mitsui, Mitsubishi, Sumitomo, and Yasuda. The Elder Statesmen and their clansmen and descendants grew rich from the spoils of office, and as Japan developed as an industrial nation there occurred a certain fusion of the military nobility and the plutocracy, which by 1918 had led to the predominance of big business in the state. The period of the World War and of the post-war boom caused not only an eclipse of the old oligarchy of birth and office by the plutocracy, but also the emergence of a distinct middle class free from connections with the semi-feudal elements in the country and temporarily independent of the great family trusts. This middle class was, however, never large enough or strong enough to form a new progressive political movement, although its influence made Japan slightly more liberal than before. The family trusts, through their control of banking, export trade, and heavy industry, and through their political predominance, continued to hamper the development of a class of independent small capitalists and, as boom conditions gave way to depression, to bring most of them under their control or to drive them out of business. The Japanese financial crisis of 1927, the subsequent deflation policy of the

Minseito government, and the world economic crisis, completed the process; the middle class declined rapidly in numbers and influence.¹

The period of pseudo-party governments which began in 1918 and ended in 1932 was in reality the period of the ascendancy of the moneyed aristocracy, not a period of popular government. The prime ministers were the leaders of one of the two major political parties, though not necessarily of the one with a majority in the Diet. The political parties were the agents of the big trusts in a quite literal sense. For elections in Japan are decided by bribery and government pressure so that the party whose leader became prime minister could always win the election. Accordingly the large-scale capitalist interests "invested" in one or other of the parties according to the circumstances of the moment and according to their own particular interests. It was generally believed that the Seiyukai (extremely conservative and largely representative of the landowning interests) was Mitsui's party, and that the Minseito (comparatively liberal and representative of the more purely capitalist interests) was the Mitsubishi party. Mitsui is far more bound up with the semi-feudal side of Japanese life than Mitsubishi. As silk exporters, and through their financial

¹ In 1930 there were only $\frac{1}{2}$ million income-tax payers in Japan against $\frac{3}{4}$ million a few years before.

control of other domestic and artisan industry, the Mitsui interests are closely connected with the landowning interests. Landowners in Japan, as has been noted, do not invest capital in agriculture, or farm themselves; they are purely parasitical, drawing half or more of the harvest as rent in kind and neither contributing seed and fertilizers nor undertaking repairs, drainage, and the like. On the other hand, they are frequently traders, usurers, and owners of very small industrial enterprises, in particular of silk filatures. Since the landowners are most of them poor men owning only a few acres of land, and since they get credits from the banks and big merchant houses, they can to some extent be regarded as the agents of the latter. The prevalence of small-scale industry in Japan keeps in existence a host of small middlemen. There are actually over 4,000,000 persons engaged in commerce according to the last census. Hence the enormous size of the petty-bourgeois class, and its close connection with the small landowning class.

Mitsubishi has always been freer of interests in village and domestic industry than Mitsui. With its major investments in heavy industry and other large-scale enterprises it has, also, less interest in the export trade and in speculation and fluctuations of the exchange. Mitsubishi's need of foreign loans and of stability of the exchange has,

in fact, led its party to favour deflation ; and it thereby roused the violent hostility of the landowners and of many small industrialists in 1930 and 1931.

Nevertheless, the interests of these two great family trusts, which dominate the economic life of Japan, dovetail at many points, and they are as frequently allies as rivals. Accordingly each might at times withdraw its support from one party and give it to the other, if the internal situation of the country or the international situation made the policy of the rival party more advisable at a given moment. The Seiyukai has always been the party which stands for aggression and a " positive " foreign policy, whereas the Minseito stood for a policy of consolidation and circumspection in foreign affairs. But neither party has a clear programme and definite principles ; each is an association in which business men could invest and receive their dividend in the form of state subsidies, concessions, freedom from taxation, protective duties or other state patronage, if their party came into office. It was this system which led certain Japanese to speak of bribery as a national institution.

The post-war decade was a period of comparative liberalism in Japan, partly because of the increased strength of the capitalist elements as against the landowners and military, and partly because Britain and the United States had acted

together at the Washington Conference to restrain Japanese ambitions in China. The financial collapse of 1927 gave the military their first chance. General Baron Tanaka, the old type of military aristocrat, became premier, and followed an abortive policy of adventure abroad to cover defects in the home administration. This reversion to old policies was, however, premature and met with no success. Two years later the Minseito party was again in power and proved so independent and so bent on a policy of deflation, internal reconstruction, retrenchment, and balanced budgets that the military made a violent and successful bid to re-establish their ascendancy by the conquest of Manchuria. In this policy they had the backing of Mitsui; for the world economic crisis, coming on top of Japan's own financial and agrarian crisis, had led to a split in the ranks of the plutocracy. Without the support of Mitsui the military would not have had such an unobstructed path all these past years. Nor indeed only of Mitsui; for when their seizure of Manchuria had been tacitly approved of by Britain, the military obtained the support of all big business interests, and will lose it only when aggression becomes unprofitable and dangerous.

When the two giants, Mitsui and Mitsubishi, and their satellites are united, they are stronger than the landowners and the military. At present it may be surmised that they are both in favour of

the war on China, but there may be a divergence of view as to how far Japan should carry her hostilities. Moreover, the armaments and export boom of the past six years has enabled certain lesser stars in the business world to appear, and certain former satellites of the trusts to achieve economic independence. New firms which owe their very existence to the state of war, or war preparation, of the past six or seven years may well be in favour of more extremist policies than the older family trusts, whose interests are so diverse that their profits are assured both in war time and peace time.

The balancing role between the various interests is still performed by the highly-placed bureaucrats and Court circles who regained this position in 1932. The political murders of that year and the discontent of the agricultural population which nourished the terrorist movement led by the young officers, gave the old military nobility, whose fathers had ruled the country down to 1918, their chance to re-establish their ascendancy over the new aristocracy of wealth which had supplanted them during the period of party governments. This military nobility, to which General Count Terauchi and the late premier, General Hayashi, belong, together with the aristocratically connected bureaucrats and Court officials, have until now been able to utilise the revolutionary ferment among the young officers

and the discontent of the social strata from which they spring, for their own ends, whilst keeping the young officers sufficiently in check to prevent a military fascist revolution. For it must be emphasised here that one cannot regard "the military" as a homogeneous or united entity. Not only is the army divided into factions, but there is a cleavage between the old samurai type, which had a monopoly of the high command until General Araki and his group entered the army council in 1930, and the young officers, who should be called "new," rather than "young," since they are those of lower middle class origin who have not graduated from military schools or colleges, and are not necessarily young at all.

The real issue since 1932, as between the military on the one side and the plutocracy on the other, is who is to have the Emperor in their keeping, who is to "advise" him. This conflict is fought out on the thin crust of the volcano of popular discontent and misery. The volcano occasionally erupts in acts of terror, assassination, and insurrection as in February 1936. These terrorist acts are all committed in the name of patriotism and loyalty to the Emperor, whom the military fascists represent as cut off from his people by advisers from the ranks of the "self-seeking capitalists and corrupt politicians." These "patriots" want a "Showa Restoration"—in other words, they want to deliver the Emperor

from his advisers and start advising him themselves ; for in Japan to "advise" the Emperor means to tell him what he must do. The Emperor himself obviously stands with the moderates, as can be seen from the type of Court officials who surround him and whom he has retained in spite of the frequent attempts made to assassinate them. It is better to be a mortal emperor than a powerless god, and he doubtless realises that if the military fascists have their way he will be secluded from the world as his ancestors were in Kyoto, before the Restoration of 1868.

The Court circles, including the old Genro¹ Prince Saionji and the titled bureaucrats, have preserved an uneasy balance between the militarists and the plutocracy. While inclining to the side of the plutocrats on account of their close family and business ties with the latter, they have increased their own powers and prestige while forming the succession of cabinets headed by princes or by admirals and generals of the old school.

The navy has, on the whole, flung its weight against the army and been on the side of what one might term the political *status quo* as against totalitarianism.

The balance established by the civil bureaucracy between the two opposing factions has been hard to maintain ; hence the frequent changes of

¹ Elder Statesmen. Prince Saionji is the sole survivor of these and is always called upon to advise the Emperor on the appointment of a new cabinet.

government up to the appointment of Prince Konoye as premier in June 1937. Under each preceding cabinet the government swung backwards and forwards, at one time appearing to accede entirely to the demands of the army, at another appearing to be curbing the military extremists. In February 1936 the veteran finance minister Takahashi, with other ministers, was assassinated in the military insurrection in Tokyo, his chief crime having been to attempt to cut down the military appropriations in the budget. The Okada government fell, although Admiral Okada himself escaped with his life.

Although the War Minister and the general staff started a purge of the extremist young officer elements with terrorist leanings, new legislation was passed to conciliate them. A planning board designed to formulate plans for expanding productive capacity and adjusting the supply and demand of commodities was set up, but the financiers prevented the appointment as chairman of Dr Eichi Baba, the well-known supporter of the military's theories of economic policy, who might have made it a real organ of state control of investment and prices. In general, finance capital, being opposed to all such plans of industrial and financial control in which it has not got a dominant voice, has been powerful enough to prevent the application of the new laws, and the government continually

expresses the hope that "big business will undertake voluntary control in preference to bureaucratic legislation." This compromise between the higher army officers and big business means that such progress towards state administration of industry, trade, and finance as has taken place has been at the expense of the unorganised small capitalists and the consumer, and has not in the least curbed "the evil machinations of the self-seeking capitalists" against whom the propaganda of the young officers is directed.

Many generals and admirals are themselves closely associated with the plutocracy. Some have already become wealthy owing to the perquisites of office and the dispensing of state patronage, others, like Roman pro-consuls, have made their fortunes in the conquered provinces of China—in this connection the profits of the opium trade in China have to be considered—yet others have still to be bought.¹ The impoverished junior officer of yesterday who ranted against the self-seeking capitalists and corrupt politicians may to-day have become himself an owner of shares in capitalist enterprise. The division as between capitalists and military is therefore not clear cut at the top of the social scale. The measures for ending "the evil machinations of capitalism" which

¹ In 1937 it was revealed that some firms had bribed a general in charge of the purchase of war materials. The buying-up of high army and navy officers is usually, however, done less obviously than this.

the radical officers demand may be passed into law, but when it comes to their application the war and navy ministers refrain from any real pressure on the big capitalistic interests. Moreover, after the military insurrection of February 1936, the radical elements in the army were curbed by their seniors and to-day they are fighting in China. The attempts of the military fascists or "Imperial socialists" in the army to transform the economic and social structure of Japan are like great waves which, by the time they reach the shore, are powerless to beat down the rocks of self-interest of their seniors in office. The kind of state control of the national economy which has been instituted in Japan is therefore state control in the interest not only of the war machine but also of the plutocracy. Neither the profits nor the power of the family trusts are affected.

The army and navy are, in fact, in alliance with the great family business houses and it is false to assume that the latter are without power over the Government and the armed forces. Both wish to obtain the hegemony of China, and one cannot obtain its desire without the co-operation of the other. Those generals and admirals who have no personal ties with the capitalists are, nevertheless, afraid to institute state ownership and management of the vital industries. Even though armament needs and the state of the treasury requires the elimination of the capitalist's

profit, no one dares to attempt military socialism in the middle of a war—the dislocation, even if only temporary, would be too great and too dangerous.

But if the Japanese people is to be asked to draw its belt still tighter, to continue for months, if not for years, to consume less and work harder ; if the peasants are to continue to work in a state of severe undernourishment and to give their sons in increasing numbers to perish in the Chinese war ; if so, they must be made to think that the self-seeking capitalist is no longer allowed to pile up wealth and enjoy all the luxuries of a civilised existence denied to the mass of the people. Hence the various measures which appear to have paved the way for “Imperial socialism.”

Morale demands a military socialist economy ; the close identity of interests of all sections of the ruling class—capitalists, militarists, and bureaucrats—precludes it. Meanwhile the rich in Japan get richer and the poor get poorer, whilst the small capitalists who produce goods consumed by the people at home are ruined. Not only these indeed, but also those small producers who manufacture for export, but are not in a position to secure a share of the now-limited imports of raw materials.

Class antagonisms grow more not less acute as the war, which was intended to damp them down, drags on. There is antagonism between the tenant farmers and the landlords ; between the great

mass of small producers and distributors (artisans and petty industrialists and traders) and the monopolists of trade, industry, and finance; between workers in the large-scale factories, forced to work harder and harder for wages whose value is continually diminishing, and their employers who are piling up profits and buying war loans, the proceeds of which are returned to them in payment for the goods they produce.

So long as the mass of the people can be made to believe that foreign conquest can bring prosperity to all, and so long as a war of aggression is expected to be swift and easy as in the past, these social antagonisms can be held in check. But a breaking-point must come, and no efforts by the army or the government to suppress every sign of dissatisfaction and maintain the morale of soldiers and civilians by repressive legislation can succeed indefinitely. As one Diet member remarked in the discussion on the National Mobilisation Bill :

“ I believe the people were more patriotic in the Russo-Japanese war than at present, because the government did not try to manufacture patriotic interest in the crisis.”

Another member castigated the government for “ attempting to enact patriotism by authority as in Germany and Italy.”¹

¹ Another Diet member said : “ It was the fear that they would go down in defeat which was in the back of their minds in mobilising national resources to conduct the hostilities.”

In 1904, Japan was fighting for her national existence against an expanding and aggressive power, and it was easy to make the Japanese people feel that in some sense this was a war of liberation, since the danger of suffering the same fate as China at the hands of the Western powers was not long past. But to-day no amount of propaganda can really convince the Japanese people that China is an aggressive power. Nor can the people for ever be made to believe that the conquest of China is so sure to improve their material conditions that they will suffer death and privation month after month to achieve it. Although China has the same agrarian problem as Japan, and in an even more acute form, and although officials may be corrupt and the wealthy heedless of the suffering of the poor in both countries, nevertheless the Chinese people are fighting to defend their homes and their families, are really fighting for their very existence, while the Japanese are fighting to destroy another nation, not to preserve their homes from invasion. Moreover, in China the Japanese have already destroyed much of the property of the wealthy. Many of the rich are already poor. But in Japan the people see the wealthy piling up more riches whilst they suffer, and witness the refusal of the wealthy to tax themselves while demanding the last sacrifice from the rest of the people.

A socialist economy, which alone would abolish

the present acute social antagonisms in Japan, could give her the strength to go on fighting, but it cannot be established by the army officers, since they are themselves too entangled in the old system, and if it were established by a revolution from the Left the war on China would be stopped. As regards the kind of state capitalism or semi-state capitalism which has been introduced by Hitler there are vital differences in Japan which prevent a similar totalitarian economy.

The Japanese monopolists of industry and finance are opposed to it. Not only do they not give a Nazi party their support in establishing a dictatorship, as they have done in Germany, but there is no party and no leader to support. There is no large ruined middle class in Japan, for Japan has never had a substantial, satisfied, and secure middle class of *rentiers* and investors, who can hope, as in Germany, to win their way back to prosperity and security by supporting a Hitler. The desperately struggling lower middle classes have of recent years given their support in the main to the military fascists who promised to destroy the monopolists of trade and industry, to provide a secure market and abundant raw materials through the conquest of China, and to preserve the old Japanese way of life which preserves the internal market for the craftsmen and artisans. But their "leader" is the Mikado who himself stands closest to the aristocracy of

wealth. They may, however, when disillusioned with the war, swing back to the support of the liberal elements which they supported in the post-War decade. The doubling of its vote by the Social Mass party in the 1937 election was the sign of a swing-over amongst a section of the petty bourgeoisie. It is of importance to realise that whereas the German middle and lower classes have tried democracy and been disillusioned, the Japanese people have never known a democratic regime and, once disillusioned with the present aggressive policies, may want to try it.

Japan has no large industrial proletariat, organised and powerful, which the capitalists wish to see suppressed by a dictatorship. The Japanese proletariat is small in numbers and scattered for the most part in a multitude of tiny enterprises. Trade unions are not legal, and in any case organisation of a proletariat whose male members are employed mainly in small enterprises is almost impossible. Half the workers in large-scale industry are women, and these are mainly the daughters of peasants contracted to labour by their fathers, living in the factory dormitories, and too helpless to be a dangerous menace to the employing class.

Lastly, the big trusts in Japan are multifarious enterprises gaining their profits from every kind of economic activity—banking, insurance, mining, factory industry, and cottage industry. They

are exceedingly prosperous, not working at a quarter or a third of their capacity like the iron, steel, and machinery trusts in Germany in 1932, or insolvent like the German banks which supported Hitler's seizure of power. In Germany the small producers have been organised into state-controlled guilds without danger to the big trusts, in fact to the considerable advantage of the latter because the army supports the monopolists. But in Japan the small industrial producers and traders form the largest single element in the population, if one excludes the peasants, and the landowning-militarist elements are economically and socially allied to them. It would be altogether too dangerous to organise the small producers and traders into any kind of all-embracing associations, since this might enable them to give effective expression, in alliance with the young officers, to their bitter hatred of the giant family trusts which strangle them. The regimentation and control of the small factories and family workshops, which account for half Japan's industrial production, is to-day a crying need if national productivity is to be increased and concentrated on war needs. But the difficulties in the way of creating such organisation and control are almost insurmountable even if there were not an acute fear of the political consequences. Those landowners who are also usurers and traders in agricultural produce fear

both the economic and the political consequences of organising the small producers, as much as the trusts and the middlemen do. Since the officers come mainly from the landowning class, even the needs of the army cannot lead to a real reorganisation of small-scale industry. The fact that the Japanese landowner is usually the owner only of a few acres and that, as in China, he is frequently also a usurer, a trader, or a small industrialist, prevents any clear-cut division of interest as between a feudal aristocracy and a bourgeoisie.

The trusts and banks in Japan have never been ruined as they were in Germany by 1932, and although they derive a large part of their profits from government orders and state loans they have never been so weakened as to support revolutionary political changes.

Big business has not yet beaten a retreat before the military fascists; and its puppets, the political parties, still defend the Constitution and the "peculiar national polity" of Japan. There is no doubt that big business is nervous, hence the liveliness of the Seiyukai and Minseito members in the 1938 session of the Diet and the vigorous opposition to the National Mobilisation Bill, which was only passed under a threat of dissolution—the trump card of all Japanese governments—and with a kind of gentleman's agreement with the Premier Prince Konoye, that the

new bill was for show rather than for use. For Prince Konoye is trusted by the politicians and the capitalists as a "moderate" and a "liberal." In other words he belongs to the group of old-time statesmen, like Prince Saionji and the Court officials, and is trusted to maintain the balance between the capitalists and the armed forces, not to let the latter get complete control of the state and the property of the great family trusts which own the large-scale factories and the banks, and are predominant in the commercial sphere.

The National Mobilisation Bill had to be passed to satisfy the young officers and the lower middle class, but Prince Konoye promised not to apply it during the "China incident" unless the situation became extremely serious. It hangs over the capitalists as a sword of Damocles, and their only way of escaping its fall is the ability to continue importing war supplies, or peace. If the war drags on and there appears to be no prospect of "beating China to her knees" for years; above all, if Great Britain and the U.S.A. were to apply the economic pressure which they could exert with the minimum of danger to themselves, there is little doubt that the Japanese moderates, by which term one means most of the big capitalist interests, would call a halt to aggression and abandon their military allies. A war of aggression appears in a different light when it entails immediate loss of wealth to the rich, and a real

danger of ultimate ruin or expropriation, than when it offers present profits from munitions and loans and the prospects of large future profits from squeezing the Chinese. Japanese national unity has never been subjected to a real test before and all arguments based on Japan's previous easy wars are fallacious.¹

As the present rift between the two wings of the ruling class is widened by the strains of the war, or if the boycott of Japanese goods abroad becomes widespread, the Japanese people as a whole will have a political awakening, and there will be an end of the prosperity-through-conquest myth. With the destruction of that myth, and the beginnings of a real conflict of policy between the military and civilian wings of the ruling class, the Japanese people will at long last be able to win its liberty and change its form of government. For it is an historical truism that, where the mass of the people are without political rights, only a split in the ranks of the ruling oligarchy can give them a chance to win their freedom and achieve those reforms which are urgently necessary in the body politic and economic.

¹ In April rumours were rife concerning a cabinet crisis, the War, Navy, and Home Ministers demanding immediate enforcement of the National Mobilisation Bill, and Prince Konoye refusing to apply it would show the Japanese public that reverses were being met in China.

Chapter VI

BRITAIN, JAPAN, CHINA, AND GERMAN POLICY IN THE FAR EAST

FOR several years before the outbreak of the present Sino-Japanese war Britain appears to have been pursuing a double objective in her Far Eastern policy. She supported the Chinese national government's efforts towards political unification and economic development in order to increase the value and security of British investments in China and open up a new market for the sale of capital goods. At the same time she endeavoured to maintain friendly relations with Japan in order to safeguard, not only those same investments in the event of renewed Japanese aggression in China, but also her sea routes from India to Singapore, Australia, and New Zealand, and in general the defence of all her interests in the Pacific. By this double line of policy the British Government hoped to secure the safety of its nationals interests in China should Japan succeed in acquiring the hegemony of that country, and yet to secure most favoured

national treatment in China should the latter be able to withstand Japan.

This attempt to ride two horses at once became more and more difficult as relations between Japan and China worsened and suspicions of Britain in Japan grew more acute. It became more and more difficult to invest capital in China and expand her trade there whilst maintaining her "traditionally friendly relations" with Japan.

Although in the spring of 1937 the British government evidently hoped to negotiate an agreement with Japan to let her go ahead in North China, provided she respected the British sphere of interest in Central and South China, this hope was frustrated by the impatience of the Japanese army and China's determination to resist Japanese encroachments in the North.

British statesmen and business men are always inclined to take Japan's statements at their face value, because there is a widespread belief that it is only the military extremists who want to conquer China and that the moderates can be trusted to act with due regard to British interests. There is a fundamental lack of understanding of the basis of Japanese imperialism, an exaggerated idea of Japan's industrial strength, and in general, a propensity to believe that business circles in Japan would, if in control of Japanese policy, adopt the same polite methods of economic

imperialist expansion as Britain has used in recent years.

Moreover, many British conservatives have never recovered from their fright in 1925-27, and so have long favoured the idea of Japan playing the gendarme for them in the Far East. Until quite recently they imagined Japan could be trusted to keep Chinese nationalism down in the interest of all the imperialist powers, and were blind to the fact that Japan menaced British interests in the Far East far more seriously than the Chinese either could, or wished to, do. It is true that the British Foreign Office realised as early as 1926 that the right wing of the Kuomintang could be detached from the revolutionary and virulently anti-imperialist wing, and that to back Chiang Kai-shek was the only practicable policy if everything were not to be lost in China. Moreover, it had the wisdom to perceive that limited concessions must be made to Chinese nationalism if Chiang Kai-shek were to maintain his ascendancy.¹ Hence the ceding of the

¹ For an excellent account of British policy in China at this period, see G. F. Hudson's *Far East in World Politics*. Hudson writes: "The moderate element in the Kuomintang was further strengthened by the policy of the British Government which, while making a firm stand with its Defence Force at Shanghai, showed itself willing to make sacrifices of treaty rights—and refused to be drawn into hasty military action. Soviet diplomacy was thus defeated by a restraint, which appeared to most British residents in China at the time as abject weakness and indecision."

Hankow concession, the acceptance of Chinese tariff autonomy in 1929, the participation of Chinese members in the municipal council of the Shanghai International Settlement. Chiang Kai-shek was enabled to show some results won by the pursuance of a moderate policy towards the Western powers enjoying privileges in China under the unequal treaties, and it was confidently expected that Britain and the other powers would in time agree even to the abolition of extra-territorial rights and a general revision of the treaties. In recent years, as we have already seen, China had begun to get foreign loans and credits without surrender of sovereignty, and most important of all, the British banks in China, and the British Government through its treasury expert, Sir Frederick Leith Ross, had given valuable assistance to China in putting-through the currency reform of November 1935. Sir Frederick Leith Ross on his return home reported in most favourable terms on China's progress towards political unity and financial stability and made a number of recommendations for further reforms, and there was talk of a coming grant of a substantial British government loan to China.

It was, in fact, from the moment of Sir Frederick Leith Ross's visit to China in the winter of 1935-36 that Japan began to get thoroughly alarmed. It seemed as if Britain were ceasing to back both horses, in favour of exclusive con-

centration on assisting China to modernise herself and strengthen her defences. Although the British Government had sent Sir Frederick Leith Ross first to Japan to propose Anglo-Japanese co-operation for the economic recovery of China, in particular, for the plan to "stabilise Chinese currency for the benefit of all nations doing business with her," the offer was rejected. British misconceptions concerning Japan's national economy and political aims in China are clearly shown here. Japan neither could nor would co-operate in any scheme for the development of China under a Chinese government unless that government were her own puppet. The Japanese saw the British plan as a nefarious attempt to promote China's independence and prevent Japan dominating her. The following quotation from an article by Prince and Rear-Admiral Tadashige Shimadzu is typical of the Japanese attitude :

"Japan detected a well-organised plan, on the part of the Western powers centring around Chiang Kai-shek and his group, to exclude Japan from the scheme of helping China to come into her own, and to deprive her of every foothold on the Asiatic continent. . . . Japan knew that every moment lost would cause her incalculable loss."¹

The British argument that Japan had been asked to participate fell on deaf ears, since any schemes which required financial assistance to

¹ Published in *Cultural Nippon*, December 1937.

the Chinese government in its efforts to modernise the country were schemes in which Japan, having no capital for export, could not possibly participate, even if such schemes had not run counter to the fundamental aims of her policy.

Even though Britain made it clear that she would not interfere with Japan's machinations in North China, and Sir Frederick Leith Ross stated publicly "that there is room in China for both of us," Japan viewed with grave suspicion and alarm every example of "Anglo-Chinese co-operation." She was accomplishing little or nothing in the way of economic penetration in the north, whilst Britain was going ahead in securing Chinese goodwill and new openings for capital investment in China, which must inevitably assist the Chinese government to resist Japan's claim to exclusive rights in the five Northern provinces.

The stationing of a special representative of the Export Credits Department in Shanghai to facilitate short-term credits to China, the statements in the Chinese press that this heralded an agreement between the British and Chinese governments whereby credits to the amount of some £10,000,000 would be granted to China for the purchase of British goods, the various projects in which British capital was reported to be participating, agitated Japan more and more and increased her jealousy and her fear. The Japanese press stated that Britain's "monopolistic

grip" on South China was a "menace to the peace of the Orient." From April 1934, when Mr Amau at the Foreign Office made his famous "Hands off China" statement, Japan had in vain proclaimed that she regarded investment by other powers in China as prejudicial to her interests, and by 1936 she was furiously protesting against the assistance rendered to China in the reorganisation of her currency and banking system. Every rumour and report of Anglo-Chinese co-operation in either railway construction, the erection of an iron and steel plant near Canton, or other projects, was commented upon in the Japanese press in tones of mingled reproach and alarm.

Towards the end of October 1936 the *Asahi* wrote as follows :

"In exchange for the loan Britain is reported to have obtained mining concessions in Kwangtung and Kwangsi provinces, and also a certain guarantee for the purchase of Lancashire cloth in South China. It is also reported that Britain, under the new agreement, will assist Nanking in its task of defending South China and that, in this respect, Britain has given China permission to establish a customs house at Hong Kong in exchange for a right to build the projected Chinese port at Kowloon with British resources."

The *Jiji* rebuked Britain in the following terms :

"The present loan to China seems to have been arranged in a manner showing that the participating countries did not take into due consideration the

position of Japan as the stabilising force in the Far East. We regret that in concluding the loan agreement Britain and China gave the impression that the former was opportunist and the latter self-seeking."

Early in 1937 the Japanese press published full details of a reputed 100 million dollar British loan to be expended on railway construction in South China and the development of Hainan Island. The loan was reported to be at 3 per cent and the fact that Japan was willing to admit that China could now obtain such favourable credit terms was in itself significant. As one paper stated: "the terms of the loan definitely re-establish China's credit on the international market."¹

It was in this atmosphere of alarm at her abandonment by her old ally that Japan concluded her anti-Comintern Pact with Germany. If the Far East were going to be "stabilised" without Japan as the dominant power and China as her vassal, Japan would get herself an ally and prepare to un-stabilise it as soon as possible by making war on China.

However, the fact that her attack in Suiyuan was resisted by China in November 1936, and even more decidedly the "re-marriage" of the Kuomintang and the Chinese Communists following on the Sian incident in December, gave Japan pause. It was becoming clear that there

¹ See *Far Eastern Survey*, Vol. VI, No. 13.

was now no hope of bending the Chinese government to her will, and that if she were determined to dominate China she must prepare for a major war to smash Chiang Kai-shek's government and annihilate his army. There was apparently in the early months of 1937 a real divergence of opinion in Japan as to what her next step should be. Should she endeavour to win her way in the North by adopting a conciliatory policy towards China, thereby hoping both to break up the unity between the forces of the Right and Left, and secure her concessions for railway building in North China, and also obtain British capital for the development of Manchuria and North China? This was the policy which the Hayashi government, which took office in February, apparently decided to pursue. But as already shown in a previous chapter it was too late for Japan to secure by peaceful and indirect means the aims she had for so long vainly pursued by force. Chinese distrust, Chinese unity, and the Chinese will to resist were now too stubborn. Japan failed to secure her concessions, and British financial assistance could not be easily and quickly obtained.

It is, of course, possible to regard Japan's comparatively non-aggressive policy during the first six months of 1937 as mere camouflage behind which she was preparing to strike in July. Some colour is given to this theory by her

abnormally heavy imports of war materials in the first half of 1937, and one can also recall the fact that in 1931, prior to her seizure of Manchuria, Japan under the Minseito government was cooing like a dove. However, in 1931 there had been a real cleavage between the moderates and the extremists and the army acted independently of the government. In 1937 there was complete unity of purpose between the moderates and extremists as soon as the first shots had been fired at the Marco Polo Bridge on the night of July 7th to 8th. Whereas in 1931 there was a lively fear that Britain and the U.S.A. would take action to prevent Japanese aggression being successful, in 1937 experience had shown the Japanese that they had little to fear. Moreover, Britain had given Japan very broad hints in the preceding months that she had no objection to a Japanese protectorate being established over the five Northern provinces.

In the spring of 1937 there was even a prospect, if not of a renewal of the Anglo-Japanese alliance, at least of a negotiated "understanding" between Britain and Japan. The question of the restoration of the Anglo-Japanese alliance was much discussed in the Japanese press. The "deal" suggested was that Britain should recognise Manchuria; Japan should recognise British interests in Central and South China; Britain should recognise Japan's "special position in the North."

At that time the British Government still had scruples about recognising conquests made by war of aggression against the Covenant of the League of Nations, but certain prominent members of the British cabinet thought the question of the recognition of Manchukuo could be got over.

An article published in the December 1936 issue of the semi-official Japanese quarterly, *Contemporary Japan*, said that Britain wanted to go hand-in-hand with Japan if only such co-operation did not run counter to her policy of maintaining collective security based on the League of Nations and co-operation with the U.S.A. The writer stated that "August of this year (1936) saw the publication of a comprehensive plan reliably attributed to Sir Samuel Hoare." The plan envisaged political, economic, and military co-operation between Britain and Japan—with Japan recognising the territorial integrity of China, agreeing to accept the principle of the open door, and promising that there would be no encroachments on British rights and interests in China. In return Britain would recognise Manchukuo and also Japan's vested rights and interests in North China. There would also be a reopening of Anglo-Japanese trade negotiations and a lowering of tariff walls to allow more Japanese goods to enter the markets of the British Empire. Japan in return would give her adherence to the 1936 Naval Treaty between Britain, the U.S.A.,

and France. If Japan should feel that even this was too much for her to concede, Sir Samuel would be satisfied with an agreement covering the naval problem in the Far East entered into between Japan and the U.S.S.R.

The writer thought that the fact that such a plan had been put forward at all by a responsible minister showed that there were no insuperable obstacles in the way of an Anglo-Japanese agreement. He also considered that it ruled out the suggestion that an agreement with Japan was considered in Britain as incompatible with the essential co-operation with the U.S.A. Japan, he thought, would be more or less satisfied with the Hoare offer if Britain would, in addition, "admit Japan's position as the leader of East Asia" and limit the principles of the open door and territorial integrity of China to compatibility with Japan's "Eastern Asia Monroe Doctrine." In return Japan would be magnanimous enough to respect the interests which Britain "has acquired" in China and acknowledge her future "legitimate activities" there.

There were no denials in the British press or Parliament of the fact that such suggestions had been put forward by the First Lord. The *London Times*, in a leading article on May 3rd, said that "Britain was fully prepared to recognise the obvious fact of Japan's 'special position' in regard to China," that in the economic sphere

Japan needed the co-operation of other friendly and interested powers, and that "Japan will not lack sympathy and assistance from this country." It concluded by assuring Japan that her "geographical position and economic structure entitled her to a lion's share of the China market." Other London newspapers, notably the *Sunday Times*, spoke of Britain recognising Japan's special "economic and *strategic* interests in North China." The words were ominous. They envisaged a repetition of the history of Manchuria where Japan first created her special interests and then sent her armies in to protect them by transforming the country into a Japanese colony. It appeared at this time as if a disguised partition of China was being planned, since, if Japan were to be assisted by British political and financial support to consolidate and greatly extend her interests in North China, and if even her strategic interests there were to be recognised, she would with absolute certainty, when the time was ripe, assume complete political control in this part of China. The *Trans-Pacific* in a leading article on June 17th stated that the obstacles to the Anglo-Japanese deal lay in China herself, and concluded :

"Thus a point is reached where the British seem disposed to say 'no deal' at least until a formula sufficiently subtle to satisfy Nanking can be found, or there is more leverage on the Japanese side to make it expedient for the British to dispense with such subtlety."

Since the summer of 1937 Japan has been trying to supply the "leverage" which she hopes will force Britain to dispense with the "subtlety."

Just as British statesmen failed to understand that Japan was structurally incapable of attaining her aims through the method of economic penetration, so also when Japan started in July 1937 to take control of the North Chinese railway system by the armed occupation of the vital junctions, Britain failed to realise that this was bound to lead to a major war involving the whole of China. Indeed, many of China's friends did not believe that she would dare to resist.

British representatives on the spot endeavoured to persuade China not to resist and to allow Japan to "localise" the conflict. The *Asahi* reported in the third week in July that the British ambassador in China had pointed out to Nanking that the latter could best avoid a crisis by ceasing to send its army northward and recognising settlement of the incident as a local matter. This would have meant, in effect, abandonment of any claim to sovereignty over North China. The *Japan Chronicle* had a report sent from Nanking on July 22nd saying that "Nanking is conniving at local accord on British advice." Even such British newspapers of the Left as *Reynolds*, unconsciously influenced by the British Foreign Office, spoke of the "great danger"

of Chinese public opinion forcing the central government to fight.

Mr Eden's statements in the House of Commons in July 1937 were hailed by the Japanese press as proof of the fact that not they, but the Chinese, were responsible for the war. When Wedgwood Benn asked on July 12th whether our government had been consulted as to the excessive quantities of Japanese troops in North China when the trouble began, and the nature of their "exercises," Eden's reply was quoted by the *Asahi* (Japan's leading daily paper) as showing the British view that she has an absolute right to hold large-scale manœuvres with as many troops as she pleases wherever she likes in North China. Yet in spite of Mr Eden's statement which exonerated the Japanese, there is no warrant in the Boxer Protocol for the Japanese behaviour which was the immediate cause for the outbreak of war. Large-scale manœuvres in the middle of the night, and the artillery bombardment of Wanping cannot be described as "field exercises"; the twelve points at which garrisons may be stationed do not include either Wanping or Fengtai where the Japanese troops were; and the total of all foreign troops allowed is 8200—a figure far exceeded by the Japanese alone since 1935.

The Japanese were further encouraged by Mr Eden's statement on July 19th that Japan had

not deliberately provoked the situation and that he sympathised with Japan's "difficulties." Mr Eden is, as we know, an honest man, so when he was asked on July 20th by Wedgwood Benn if he had made clear to the Japanese government that we should not approve of the further attempt to detach provinces from the sovereignty of Nanking he did not reply in the affirmative. His reply, though a masterpiece of ambiguity calculated to give no handle to the half-hearted opposition in Parliament, was a clear enough assurance to the Japanese that Britain did not disapprove of a partial dismemberment of China : "I think the Rt Hon gentleman will see from my answers during the last few days, and the various declarations we have made, that we very much regret the situation, the more so as we hoped for an improvement in Far Eastern relations generally, which cannot take place while the present conditions persist." In other words "we" had hoped that Japan could assume control of North China and start on her friendly economic collaboration with China without needing to make herself more popular with the Chinese by bombarding their cities and killing hundreds of thousands of them.

Consequently the Japanese press hardly troubled to conceal the true cause of the war ; "the determination not to allow conditions in North China to re-shape themselves as Nanking wishes,

and Japan's determination to maintain her special position in China."¹

With the extension of the war area to Shanghai, the immense loss of British property in the aerial bombardment by the Japanese, the shooting of Sir Hughe Knatchbull-Hugessen, the deliberate firing on British gunboats by the Japanese navy, and the clear evidence that Japan had no intention of respecting British interests and was in fact determined to destroy Britain's predominant position in Shanghai and the Yangtze Valley, the British conservative press changed its tone. As early as August 20th the leading article in *The Times* struck a new note :

"It is time for Japan to learn that the free hand which she desires in Eastern Asia will in no circumstances include licence to play havoc with the lawful interests of Great Britain."

So long as merely Chinese lives and property were being destroyed Japan might have a free hand, but attacks on British property were altogether a different matter.

Since the storm of indignation and horror which swept over Britain and the U.S.A. in the autumn of 1937, when the Japanese bombers were seeking to destroy Chinese morale by the mass massacre of the civilian population, the tone of the British press has varied from alarm to confident anticipation of Japan's eventual failure,

¹ *Chugai Shogyo*. See also quotations in Chapter I.

but there has never in the conservative press been any advocacy of concerted measures in conjunction with the U.S.A. to stop the war. Since economic sanctions, exerted by Britain, the U.S.A., and Holland alone, could obviously deprive Japan of all essential war materials and so stop her war on China without any danger of ourselves being involved, this attitude is somewhat hard to understand.

The British Empire and the U.S.A. account for two-thirds of Japan's import trade and half her export trade. Without American oil, Indian, Malayan, and Australian iron, Canadian and Australian lead, Canadian steel alloys, and a number of other raw materials, Japan's war machine could not function. A mere refusal to buy from Japan would hamstring her war industries fairly soon, since there are no alternative markets to absorb her raw silk, her textiles, her pottery, her tinned fish, and other manufactures. Deprived of British and American markets Japan would not be able to get the foreign exchange to buy elsewhere, and no barter arrangements with Germany and Italy could help her, since she has hardly anything they require to barter and they cannot afford to give her credit.

It is difficult to believe that the British government really believes that Japan would dare to take on the British Empire and the U.S.A. together, and it is most likely that American

co-operation in exerting economic pressure could be secured if the U.S.A. were convinced that we were no longer backing Japan with one hand and that we really wished to stop her aggression. American public opinion has been far more deeply stirred by the war than ours, and the strength and extent of the private boycott movement in the U.S.A. is incomparably greater than in Britain. So long as the U.S.A. believes that we are secretly in favour of the dismemberment of China, of course she will not co-operate merely in order "to pull British chestnuts out of the fire," but evidence of a sincere desire on our part to stop Japan destroying China, as distinct from a desire merely to safeguard British investments, would make co-operation easy to secure.

The British argument that Japan could start destroying the British Empire if deprived of oil and iron, coal and non-ferrous metals and credit, has little validity. Even if the Japanese extremists did attack Hong Kong and take over the International Settlement at Shanghai, this would not supply her with the sinews of war and she would be forced to give up these places later. It is clear that the refusal of the British government to boycott Japan is largely due to fear of retaliatory action by Japan against British investments in China, in particular in Shanghai, not to any real fear of being involved in a war with Japan.

Since the death of millions of Chinese through aerial bombardment and famine matters little to British investors, the British government thinks it the wisest policy to let the war go on until both sides are exhausted, whilst giving sufficient support to the Chinese government to ensure that China neither gives up the struggle nor reverts to anarchy. However, when Japan gets desperate, she may attempt to prevent munitions reaching China via Hong Kong by force, and Britain will then have to choose between Japan and China. She will then be more likely to be involved in naval action than if she had imposed economic sanctions on Japan in the first place.

In considering Britain's Far Eastern policy it must not be forgotten that such special rights in China as she and other powers have waived during the past decade, and in general the abandonment of any attempt to force back the rising tide of Chinese nationalism, are the consequence, not of enlightened and pacific principles, but of inability to defend these special rights in so distant a part of the world. It is also due to an intelligent appreciation of the fact that armed intervention would prevent the moderate nationalists maintaining their ascendancy and so unleash the revolutionary social forces in China. The "Communist menace" would then become a dangerous reality. But there have always

remained a number of reactionary and short-sighted admirals and generals in Britain, and British business men in Shanghai, who have not resigned themselves to the inevitable. They continue to imagine that a renewed Anglo-Japanese alliance could preserve the old semi-colonial status of China, and that Japan should be given a free hand to crush Chinese nationalism. This point of view largely accounts for British action, or rather for her failure to co-operate with the U.S.A. to stop Japan in 1931-32. At that time the "Shanghai-minded" British were glad to see Japan "teach China a lesson." Other factors then and now enter into the situation, such as Britain's fear that Japan herself might be involved in revolution if the prestige and power of her ruling class were shattered by the failure of her aggressive policies.

The behaviour of the Japanese in the present war has slowly awakened even the British community in Shanghai to the fact that Japan is determined to get the British out of China altogether, and that the triumph of Chinese nationalism is for them a lesser evil than the conquest of China by Japan. However, there are still some admirals and others amongst whom the obsolete view of the situation prevails, and they are not without influence. They can still write such articles as the one which appeared in the April 1938 issue of the *Fortnightly* entitled

“Strategic Realities of the Pacific,” by Admiral Sir Barry Domville, which concludes with these words :

“In my opinion nothing will help more towards the resumption of peace in the Far East than a more friendly and understanding attitude towards Japan.”

The author bitterly regrets the abrogation of the Anglo-Japanese alliance “in deference to a power (the U.S.A.) who gives nothing in return,” and speaks of Japan as if she were as “highly industrialised” as Britain. In discussing “strategic realities,” he entirely leaves out of account the fact that battleships run on fuel which Japan must import, and that Japanese bombs and bullets and armaments cannot be manufactured unless we or the Americans sell them iron, steel, steel alloys, lead, aluminium, etc.

The British with investments in Shanghai are in a position, as has been pointed out by one of the most objective and well-informed American observers in the Far East, in which they can only be losers. “They want,” he writes, “to keep China down to the extent that they may continue to enjoy the use and profit of its principal city, one of the richest ports in the world, but also they want to keep any single power—Japan, in recent years—from getting a monopoly of the

profit.”¹ But the *status quo* in Shanghai, as in the rest of China, has been destroyed for ever ; in the future China will either achieve complete independence or become a Japanese colony. Although it is unthinkable that if China is able to win this war by her own efforts (that is to say prolong it until Japan is broken by the effort to conquer her), she will for long submit to the old unequal treaties and allow Shanghai to continue in the possession of foreigners, this outcome will be far less disastrous to British, American, and French interests than a Japanese victory.

China will need to import vast quantities of capital goods and may indeed, in the new strength and unity she will have attained, be able to set on foot plans for the modernisation of China which will make that country the largest market in the world for such goods. Japan, as already shown, cannot compete seriously in the supply of machinery, railway equipment, and construction materials. Germany will be the strongest competitor if she has the wisdom not to alienate

¹ Nathaniel Peffer, in the November 1937 issue of *Asia*. He writes of Shanghai :

“ Shanghai is an international settlement on Chinese soil. An international possession on territory acknowledged to be sovereign is incongruous under the most favourable circumstances, and in these times and on territory the sovereign of which has become as nationally conscious and as strong as China the incongruity is so great that the situation is untenable.”

Chinese sympathy completely by really backing Japan, but in any case there will be room for everybody who has the goods China will need. The position of predominance over China which the Western imperialist powers and Japan enjoyed in the past, and which enabled them to make fortunes out of the poverty and helplessness of the people, will be gone. Chinese industries will be developed and Chinese resources utilised for the benefit of China. But for a very long time to come China will afford an expanding market for capital goods.

On the other hand, if Japan wins she will seek to close the door in China as completely as she has already done in Manchuria. China will be prevented from developing her own industries and will be kept as a closed market for Japanese manufactures and an exclusive source of supply of raw materials for Japanese industries. China will not be modernised but forced back into the old hopeless way of life with the feudal land-owners securely in the saddle under the protection of the Japanese army. There will be no market for capital goods except those sold to Japan for developing mining, transport facilities, and such industries as Japanese set up on Chinese soil, and these will necessarily be limited by the fear of competition with industries in Japan. There will be no direct investment in China, only loans to Japan—if Britain and the other powers are

ready to supply them—for carrying out Japanese projects under Japanese auspices.

In this connection it is of interest to note the German attitude towards China. Although under Hitler she has become Japan's ally there is little doubt that Hitler has been let down by the Japanese. The anti-Comintern pact was in Nazi eyes an alliance against the U.S.S.R. In Japanese eyes it was a cloak for the conquest of China, and it is more than doubtful whether Japan ever had any intention of letting herself become involved in a war with Russia, once she were reassured, as she has been, that the U.S.S.R. would only fight her if Russian territory were attacked. Hitler, no doubt, like the British, envisaged in the summer of 1937 a Japanese protectorate being established in North China and Inner Mongolia, thus hemming in the U.S.S.R. in the East. He cannot have welcomed Japan's involving herself in a major war with China, which may well break her and has already made her practically valueless as an ally against the U.S.S.R. In addition to this, China is one of Germany's best customers and the Germans can hardly enjoy the spectacle of Japan spreading desolation far and wide and destroying China's capacity to purchase or to sell. Relations between the two countries have been particularly cordial since Germany, in 1921, abandoned extra-territoriality and concluded a treaty of

friendship with China. The Germans in the following years built up a unique position for themselves in China, and by 1936 they were supplying 16 per cent of Chinese imports and came only second to Japan and the U.S.A. Germany's share of Chinese imports exceeded that of Britain and Hong Kong together. Whereas Britain only belatedly abandoned her attempt to base her trade with China on consumers' goods, and was in general reluctant to further the industrialisation of colonial or semi-colonial markets, Germany, having no colonies, concentrated her whole export strategy on that industrialisation :

“ German scholars—particularly the Haushofer School—developed the theory that the ‘ oppressed natives of the East ’ would liberate themselves from ‘ Anglo-Saxon robber capitalism ’ by following one after another the example of Japan ; they would struggle for national independence by means of ‘ economic armament ’ and would, therefore, need the capital goods which Germany could supply. German patents, German machinery, German chemicals would outfit their factories and mines, would build their strategic railroads, their ships, and aeroplanes. Great Britain, they taught, clinging to the outworn liberalism of the pre-war era, is still trying to divide the world into industrial and colonial areas. But such classifications, they believe, cannot persist indefinitely. Siam, China, the Philippines, even actual colonies like Netherlands, India, and Indo-China will go the way of national economic

independence regardless of Adam Smith. Political and cultural friendship will foster Germany's trade and lead inevitably to an alliance between the Have-nots of the East and those of the West."¹

Fears of Japanese competition amongst German industrialists were allayed by the confident anticipation that Japan would always remain behind Germany in technical progress. This confidence, however, rests on the assumption that Germany and Japan will compete on equal terms in the Chinese market; if there is a prospect of Japan forcing preferential tariffs upon China in her own interests, German exporters and the German government, whatever its political alignment and sympathy, must become alarmed. In any case a China and Japan locked in a struggle to the death cannot be welcome to Germany either from the political or the economic point of view. Hence Hitler's efforts to mediate between Japan and China and bring about peace soon after the present war began. The attempt at mediation failed no less on account of the determination of the Chinese government not to surrender any more territory or sovereign rights to Japan, than of the unbounded ambitions of the Japanese extremists. The Sino-Japanese war, so long put off, being once under way, the Japanese army had no intention of stopping till

¹ "Germany's Economic Position in the Far East," by Dr von Waldheim. *Far Eastern Survey*, Vol. VI, No. 6.

Japan broke or the job of beating China to her knees was once and for all accomplished, whatever the wishes of their European ally.

The situation being such, Hitler, in his pronouncement recognising Manchukuo and supporting Japan in the war, might be taken as having made a decision to choose the Japanese side and abandon China. Nevertheless, German munitions continue to reach China—in greater volume according to all accounts than British or American—and, irony of ironies, some of them are rumoured to go via the U.S.S.R.¹ Germany, like Britain, appears to be backing both horses, or rather hedging to preserve her trade and the goodwill of China should the latter win through. The foreign policy of a great power is always many-sided, and there is not, in regard to the Far East at any rate, any clear-cut alliance with one side or the other in spite of the “war of ideologies.” Indeed, from the point of view of ideologies, Chiang Kai-shek is just as deserving of Nazi support as Japan, for the Germans can never have believed that he was a friend to Communism, and may with justice still regard

¹ The Berlin *12 Uhr Blatt* of January 7th, 1938, asserted with confirmation from China that contracts “with foreign concerns” amounting to £3,000,000 for munitions had been signed and that they would be shipped via the U.S.S.R. and French Indo-China, since the connections with Canton are regarded as too uncertain. *China Weekly Review*, January 15th, 1938.

him as the bulwark against Bolshevism in China.

Lastly, in examining the mainsprings of German policy one must not overlook Anglo-German trade rivalry in China. Germany, not Japan, is Britain's chief competitor in the supply of iron, steel, rails, machinery and electrical equipment to the Chinese market, and Japan's objections to British credits to China were in some sense shared by her ally Germany, which has not got the financial resources for granting such credits herself, but has been very successful in promoting barter arrangements and direct trade between the makers and the Chinese buyers.

British policy since the outbreak of hostilities has slowly veered round to greater support of China, but little or no material assistance has been given her, and Britain has been more than tender to Japanese susceptibilities and anxious as before to ensure Japanese goodwill in the event of a Japanese victory. Hitler, in official pronouncements, supports Japan, but continues to allow German munitions to be sold to China. Britain on the whole shows sympathy with China, continues to assist in the maintenance of the stability of Chinese currency, but sells her little in the way of munitions and continues to supply Japan with the sinews of war—to the profit of Canadian and Australian mining interests, British financiers, and the capitalists of other

parts of the British Empire. Whilst making profits now, and hoping to keep Japan in a friendly enough frame of mind to prevent her attacking British interests in Shanghai, Britain apparently awaits the time when Japan will be so weakened that pressure can be easily exerted upon her to force her to disgorge a part at least of the Chinese territories she has occupied. The bargain which Britain offered Japan in the spring of 1937 is apparently still open to her in so far as Britain is concerned. The British government would, in all probability, be only too willing to negotiate a settlement which gave Japan complete control of North China, provided she could be forced to keep her hands off Shanghai and the rest of China. This is a real danger from the Chinese point of view since pressure could easily be exerted upon the latter by Britain to force such a settlement upon her. Withdrawal of the co-operation of the British banks in the maintenance of the stability of the Chinese dollar, refusal of the use of Hong Kong as the port of entry for munitions—in this and other obvious ways Britain would be in a position to exert pressure on China as certainly as upon Japan.

There are plenty of rumours of British attempts to settle the conflict, and there will undoubtedly be a real danger of a betrayal of China as soon as Japan is sufficiently exhausted to reduce her demands to a reasonable scale. On March 23

the United Press correspondent in Shanghai sent out the following message :

“ A British-Japanese agreement with regard to China may be reached within a fortnight. . . . Sir Archibald Kerr, new British Ambassador to China, it was reported, has delayed his departure for Hankow and Chungking to present his credentials to the Chinese government, so that he can complete details of a draft agreement with Japanese-Ambassador-at-large Masayuki Tani. . . . The agreement, if reached, will be the basis for a general reconciliation between London and Tokyo based on a ‘ realistic ’ British attitude towards Japan’s position in the Orient.”

This message appeared in the American press, but not in the British, which preserves a discreet silence concerning the activities of its diplomats in the Far East. Although the time is not yet ripe for a bargain with Japan Prince Konoye’s statement on April 21st is significant :

“ Britain is a practical nation and the British Government’s policy will be adapted to the changing situation. It is for us to bring about the downfall of the National regime before we can expect Britain to alter her policy.”

According to the *Shanghai Evening Post*, Sir Archibald Kerr received the following peace proposals from Japan :

- (1) that the autonomy of Inner Mongolia be granted.
- (2) that the North China provinces north of the

Yellow River be governed by a special council employing Japanese advisers.

(3) that Japan be given rights to station garrisons not only north of the Yellow River, but also at Shanghai, Nanking, Hankow, and Canton.

(4) that China pay an indemnity to the Japanese government of 200,000,000 dollars which the Japanese government will invest in China.

The concession of (4) would mean that Japan had managed to kill two birds with one stone: China would have to borrow the 200 million from Britain or the United States to pay Japan; this in effect would mean that Japan had secured the foreign capital which alone can enable her to profit from her conquests and which she has vainly tried to secure ever since she took Manchuria; secondly, China would be financially crippled.

These terms appear to be practically the same as those put forward by Japan when Germany mediated at the end of 1937, as revealed by the foreign minister, Hirota, in the Diet on January 22nd.

The comments made upon them by *The Times* are significant, and it is to be noted that the *Oriental Economist* interpreted them to mean that Britain felt Japan was entitled to these terms at least.

Seeking to preserve her position as the future arbitrator, and either unwilling to exert pressure

on Japan which could stop the present slaughter of the Chinese people, or really afraid that such pressure would lead to her being involved in the war, the British Foreign Office continues to back both horses and to prevent the British public knowing the real menace Japan now constitutes to British interests in the Far East. Not only are the horrors of war rarely reported in the British press, not only are the appalling atrocities committed by the Japanese in Nanking and elsewhere discreetly veiled, but the extent of Anglophobia in Japan and the aims of Japan are also hidden from the general public. If they were known by the British public a future bargain with Japan might be difficult to conclude.

It is clear from a perusal of the Japanese press that the real point at issue is that, so long as Britain controls Shanghai, dominates the Yangtze valley, and maintains her financial and trading contacts with China, Japan cannot run China's economic life entirely in her own interests. Hence discussion in Japan centres round the problem whether to try and drive Britain out now, before China is conquered, or to wait until afterwards. A middle course appears to be most in favour, one of "gradual and persistent pushing," as it was expressed at a conference of naval and military officers of high rank on December 4th. The opinions of these various admirals, vice-admirals, and lieut.-generals were published in

the February issue of the widely read *Hinode Magazine*, and are of considerable interest as showing what some influential Japanese really think of us.¹

In the view of Vice-Admiral Moriyama :

“ Britain instigated China, but it never dreamed of such eventualities as the Abyssinian and Spanish issues. Nor could it have predicted that the Soviet Union would so suddenly become powerless because of internal strife. . . . Britain has had it in for Japan ever since the Manchurian incident. Lord Lytton’s report to the League of Nations, the attitude of Sir Frederick Leith Ross in reforming China’s currency without letting Japan in on it . . . ”

According to Rear-Admiral Sosa the agitation by the American trade unions for a boycott of Japanese goods was at the instigation of British labour delegates who, since they have not got going any material boycott in their own country, were moved only by the wish to diminish American trade with Japan and thus “ fatten the pockets of British industrialists.”

The gallant naval officers were jubilant over the fact that Italy has greatly enhanced her strength by the Abyssinian war, and they did not hesitate to say that the anti-Comintern Pact was

¹ The translation made use of here was published in the *Trans-Pacific* of January 17th, 1938. The *New Statesman and Nation* published an article by the author on March 12th incorporating some of the quotations given in the following pages.

merely camouflage for an anti-British Italo-Japanese understanding.

Vice-Admiral Moriyama then spoke as follows :

“ It seems that Britain is now in no position to make faces at Italy. . . . Japan's fleet is not so feeble that it would squeal : ‘ We can't face the British unless Italy obstructs it in the Mediterranean.’ But Italy can show a strong front to Britain against the background of Japan. Without it Italy would be uneasy.”

Lieut.-General Itami said that Britain found herself “ hemmed in ” between the Japanese and the Americans, who are Japan's rivals in the Far East, and whom the British gentleman regards as upstarts. Further, that Britain is trying to drive the Soviets into “ a conspiracy against Japan ” and this tie-up with an enemy will prove Britain's undoing. Nevertheless, he warns the U.S.S.R. not to let itself be made a tool of Britain as Japan was in the past. Sir Knatchbull-Hugessen is accused of having “ dragged the Soviet Union into the Sian affair,” but the censor has deleted the lines which might have explained what mystery is here referred to. Lieut.-General Itami was further of opinion that “ at the rate it is going ” Britain will collapse in his son's generation, or even in his own, not in that of his grandson as he used to think, for “ what it is doing shows it to be a madman or one who is half-sick.”

Rear-Admiral Uematsu thus expressed his views on British foreign policy :

“ There is no one more thick-skinned than the British in the world’s history. They think nothing of making 180-degree turns in national policy. Thus it may even happen that at this juncture they will make their wonted about-face. . . . I can give you a glaring instance of the shameless manner in which the British changed tactics. It was in connection with the Abyssinian issue. Britain, the leader of the League of Nations, was more incensed over the Italian expedition against Abyssinia than over the Manchurian incident, partly because there was Egypt to think of. Anyway, Britain adopted the cause of the Abyssinian monarch, and with the League of Nations behind it moved its Mediterranean fleet to exercise an economic blockade against Italy. As soon as it was all over Britain, which had decried Italy as the disturber of world peace, the arch-aggressor, etc., began getting friendly with Italy. And what excuse did it offer? There are provisions in the League Covenant for exercising sanctions against an aggressor, the British said, but there is no provision against a power that has already completed its aggression. So we have decided to drop the matter.”

He continued, speaking in the polite language for which the Japanese are famous, that there is probably no country in the world that “ has not at one time or another been made a sucker of by Britain.”

Vice-Admiral Moriyama expressed himself in

favour of Japan "looking on with nonchalance," since "Britain is bound to collapse without the aid of any outside agency," and has already lost abundant "face."

This did not satisfy Lieut.-General Itami who exclaimed: "Something's got to be done. We're spending enormous sums of money daily. We must settle the thing as quickly as possible. For my part I am all for giving Britain a painful little blow so that it will realise Japan means business."

When the representative of the *Hinode Magazine*, who was present at the discussion, inquired what might happen if Britain began to show fight, he was severely crushed by the admirals who exclaimed: "Don't be ridiculous. What can a Britain which gave in to Italy in the Mediterranean do to Japan, 10,000 kilometres away? There is Italy to be taken into account. How can it show fight? Be at ease."

The discussion thereafter centred around the question as to whether or not it is wise to raise an issue with Britain whilst in the midst of a fight with China.

Lieut.-General Watanabe said:

"The purpose of our operations in China must be first to awaken China and then to sweep from China the influence of Britain. The aim of making China return to the principle of Sino-Japanese co-existence and co-prosperity can be achieved only

if British influence is driven out of China. Should British influence remain rooted there even after the hostilities, peace between Japan and China would be most precarious. This is a very opportune moment for eliminating British influence over China, and there is every necessity for it."

Vice-Admiral Ando then made a remark which lays bare the real motive for the recurring Japanese attacks on British ships and British citizens. "Unless," he said, "Japan peels off the thick skin of the British for all Orientals, especially the Chinese, to see, eternal peace will not dawn in East Asia by a defeat of the Chinese themselves."

He went on to say that the matter should not be rushed, for although the international situation seems advantageous to Japan "because Japan, Germany, and Italy would be against Britain and France," they must be prepared to have the U.S.A. against them—at least it seems that the U.S.A. is meant, but the censor has deleted the name of the country which now "cannot be regarded as likely to maintain strict neutrality." It is possible that they referred not to the U.S.A. but to the U.S.S.R., but the former seems more probable.

Accordingly, Admiral Ando went on to express himself in favour of a policy of "gradual and persistent pushing." He said he wanted Japan first to develop China with foreign capital,

allowing foreigners to share in the profits, and only thereafter throw Britain out.

The likelihood of mutinies and revolt in India, should Britain fight Japan, was next discussed. A few scornful remarks were made about the British Army and its officers, who "bathe every morning and shave very neatly," who "learn their march in dance-halls," and are "at a loss when it comes to digging trenches and doing other hard work." Uematsu declared that "the strongest army in the world is the Japanese, followed by the German, and I suppose the Chinese comes about third."

The last word was with Vice-Admiral Moriyama, who brought the discussion to a close with the remark: "Cut Britain off from the Far East, that's my motto."

It should not be imagined that such expressions of opinion as the above are confined to elderly firebrands in the army and navy. Outstanding figures in the business world have expressed much the same views.

The heads of Japan's great cotton-spinning companies are amongst the most virulent anti-British elements. Shingo Tsuda, President of the Kanagefuchi Company, has written:

"Chiang Kai-shek is riding two horses, the Bolshevised horse of the Soviets and the economic horse of Britain. He is not driving these horses but is being driven by them, especially the British

horse. If an enemy wishes to shoot Chiang, he must shoot the horse first. Pro-British Japanese fear that Japan will be ill-treated economically and politically by Britain for having offended British feelings. Such is an unnecessary fear. First of all look at Japan's air force. Before the great feats of Japan's 'eagle' squadrons, British warships will be utterly powerless as far as the Orient is concerned. Britain is not so foolish as to fight Japan. Japan should carry out her own policy, taking advantage of this opportunity, and demand of Britain reconsideration of her insolence. . . . My argument is that Japan should fight Britain only if she does not remedy her cunning policy."¹

In an article published in the *Osaka Mainichi* on the theme: "The real enemy of Japan is not China or Russia but Britain," the same Mr Tsuda stated:

"The British navy is powerless before the Japanese air force, which by general consent is the strongest in the world. The appearance of our godly air force is enough to cause London to reconsider its attitude. . . . During the Abyssinian campaign the British navy concentrated one hundred warships in the Mediterranean in an attempt at intimidation. Italy countered with a strong air force, and the British warships, caught by surprise, fled west of Gibraltar. . . . I tell the British to refrain from interfering in Oriental affairs."

Other cotton magnates such as the President of the Dai Nippon Company are also vigorously

¹ In the *Kaizo Magazine*, February 1938. Translated in the March 1938 *Contemporary Japan*.

anti-British. This is hardly surprising in view of the obstacles placed in the way of their trade in the British empire, but it is of interest to note that, as already pointed out in Chapter V, it is the capitalist interests such as the cotton-spinners which were once "moderate" who have now become far more "extremist" than the financiers. The latter would be ready to stop the war without gaining control of Shanghai and the Yangtze valley, if Japan had final control of North China, and they are generally pro-British according to the Japanese press. Nevertheless, even such a representative of Japanese finance capital as Mr Goko, managing director of the Mitsubishi Heavy Industries Company, in a statement published in the press last January, urged Japan to take over control of Shanghai as "the base of operation of British capital in China." "Japan," he said, "must control the International Settlement and Customs, if the Yangtze economic interest is not to be restored to British capitalists."

An article in the February issue of the *Kaizo Magazine* states :

"Economically Japanese financiers have been depending on British capital. They are sullen, therefore, when relentless anti-British opinion is freely spoken."

The policy which appears most in favour is that which was designated by Admiral Ando,

as one of persistent pushing. The wiser business men of Japan realise that if Britain can be induced by soft words and promises to continue sitting on the fence, and to refrain from exerting any real pressure on Japan now, then, if once the latter has won her victory in China, she will be able to squeeze British interests out by the manipulation of the Chinese Customs and other means already successfully tried out on foreign interests in Manchuria. But some British loans are necessary to Japan before she can start this game. Shozo Murata, president of the Osaka Shosen Kaisha, writes:

“It is decidedly bad that Japan should challenge Britain. It is an easy task for Japan to oust British shipping from China waters, if China’s resistance to Japan ceases. Let economic matters be left to business men. No weapon is necessary to oust Britain. If it is still impossible for Japan to achieve its objective in the next ten years or so, she may use force, but before the country resorts to this, business men should be given a chance to show what they can do peacefully.”

The writer in the *Kaiyo*, who quotes the above, concludes his article with a frank admission that it expresses the real views of the pro-British element.

“Pro-British Japanese financiers are well pleased with such an attitude, while even Toshio Shiratori, who is the most vigorous foreign policy pro-

pagandist of the Foreign Office, is now issuing warnings against the growing public opinion favouring war with Britain and making friends with the Soviets, on the grounds that he is a 'Britain-knowing,' but not a 'pro-British' man."

Nevertheless an anti-British campaign continues to rage in Japan. At great mass meetings speakers state that Britain is furnishing the Chinese forces with financial assistance and armaments and so "helping China in an active way to foster the sovietisation of the Far East." Since one of the most prominent people in the anti-British movement is Admiral Suetsugu, the present Home Minister, and since it is backed by the financial resources of the Osaka cotton interests, it cannot be ignored, although the British press fails to report any details of it. Hessel Tiltman, correspondent of the London *Daily Express*, in an article published in *Asia*, expresses the view that although the present Japanese cabinet and general staff do not desire to find themselves in serious conflict with Britain, there are certain prominent personalities in Japan "believed to have some support in Japanese naval circles and openly angling for the backing of the army" who would make peace (temporarily) with Russia "in order to turn the national energies to the task of eliminating, as painlessly as possible, the British position in China." "To this end," he writes, "they have already vetoed the appointment to

the Japanese cabinet of one able personality on the grounds that he is anti-Russian," and have advocated the occupation of Canton and South China by the army, and that of Hainan Island by the navy, in order to garrotte the trade of Hong Kong and cut communication between Singapore and Hong Kong.

If these extremist influences do not prevail it only means that the moderates have won out for the policy of getting loans from Britain before pushing her out of China. They realise better than the British government that Japan is powerless to fight Britain, whatever her strategic advantages, until she has created a war-material basis in China with the financial assistance of Britain, and that Britain and the U.S.A. could easily stop Japan's war on China now by an embargo on war materials and a boycott of Japanese goods. They continue to gamble on the chance that this economic pressure will not be exerted because of the illusions and misconceptions both as regards Japan's aims and her strength which prevail in conservative circles in Britain.

The absence of an anti-American campaign in Japan is apparently due not so much to American investments in China being so much smaller than British, as to Japan's far greater fear that the United States might take effective action to stop her aggression if unduly provoked. The

Japanese realise that with the Americans they must step warily, whereas however much their home propagandists rant against Britain, and whatever petty outrages are inflicted on British nationals in China, the British government will continue to damp down popular indignation in Britain. The United States government on the other hand has shown that it desires to take effective action against Japan if and when "isolationist" sentiment in America permits it to do so. Hence the compensation paid for the sinking of the *Panay* and the far more conciliatory tone adopted towards the U.S.A. Hence also the warning given by the editor of the *Osaka Mainichi* on his return from a tour in the United States: we must be careful not to provoke the Americans by *open* violation of treaties.

It may with some confidence be expected that the United States, as in 1922, will refuse to recognise any Japanese conquests in China, even if they are agreed to by Britain openly, or secretly as in 1915.

Chapter VII

PROSPECTS IN THE PRESENT WAR

THE general assumption abroad in the summer of 1937 was that China could not possibly resist the armed might of Japan, that she had been mad to attempt to do so, and that the war would soon end in a complete victory for Japan. The heroic defence of Shanghai gave proof that this time Japan was not going to have a walk-over, and that a spirit had been aroused in China which caused her soldiers to fight with desperate heroism against the most overwhelming odds. Japan had every advantage at Shanghai; she had armaments of the most modern kind, tanks, heavy artillery, aeroplanes; her gunboats in the river could shell the Chinese positions from safe anchorage along the Bund; her troops could land under cover of the "neutrality" of the International Settlement, a part of which (Hong-kew) she proceeded to put outside the jurisdiction of the municipal council and convert into a war base. In spite of every Japanese advantage in armaments and position, Chinese divisions armed with little besides rifles and machine-guns kept the Japanese forces at bay for four months.

The British, inclined for many years to regard the Chinese as a non-warlike and easily bullied people, were astounded at the courage and tenacity of their soldiers. Brigadier-General Telfer-Smollett remarked that he had never seen anything greater than the final defence of Chapei by the Chinese "dare-to-dies."

Few observers now doubt that the Chinese soldier is as good a fighter as the Japanese when he has something worth fighting for. The most pacific people in the world have been goaded by long years of provocation and aggression and insult from Japan to resist at whatever cost the threat to their very existence as a nation, and to avoid the fate of being thrown back by Japan into the darkness of the pre-Kuomintang period.

It is now a question of which can hold out longest: Japanese material resources or China's patriotism, national unity, and stoic endurance of suffering. Japan's ability to import war materials, or China's power to bear the hideous suffering inflicted on her civilian population from the air, from the sacking of her cities, the slaughter of her young men, and the rape of her women in all the villages where the Japanese soldiers penetrate, and above all from the famines and the uprooting of populations caused by the advance of the Japanese armies. Finally, much depends on whether China continues to receive the thin stream of foreign arms which

still reaches her via Hong Kong, Indo-China, and the U.S.S.R. If China can continue to buy and to import arms from abroad—if no “non-intervention” agreement deprives her of the ability to defend herself by arms, and if Britain and the U.S.A. are willing to give China small credits for the purchase of rifles, machine-guns, and ammunition—then it would seem that she can hold out longer than Japan. Her reserves of man power are inexhaustible and her will to resist unbroken by her terrible sufferings. There is no sign of a split in the Chinese government, no sign of a faction ready to come to terms with Japan and betray their country by accepting office in a Japanese puppet administration. Japan still looks for a General Franco, but, although she leaves vacant the position of president of her provisional administration at Peiping, no Chinese of any repute is willing to accept it. Japan cannot get men even of “second-class” standing to accept office in pro-Japanese administrations, and her attempts to inveigle ex-war lords like Wu Pei-fu have been entirely unsuccessful.¹

¹ An article in the January 1938 *Bungei Shunju* refers to Wu Pei-fu as the most likely president of the Peking government and further states:

“It is not entirely impossible that there will emerge someone in the Nanking government qualified to assume that position, which may or may not be the reason why the chair of the presiding official is left vacant.”

What Japan has apparently failed to realise is that she has herself destroyed the possibility of bringing over any class in China to support her, and in so doing lost her chance of being able to set up a new Chinese administration capable of governing the conquered provinces in Japan's interest. She is therefore faced with the choice either of attempting to hold the Chinese people down by force of arms alone, and undertaking the tremendous expense of herself administering and policing the parts of China she holds, or of giving up the war. China cannot be enslaved to Japan unless there are Chinese ready to assist in the enslavement. A recent article in *Asia*, sent out from Central China uncensored, states convincingly why Japan has "already lost the war"; although it will probably, according to this correspondent, take her several years to realise it.

"Japan passed up her only chance to 'win the war' (that is, emerge from it with her war reserves intact, her immediate strategic necessities realised, and her position as strongest power in the Western Pacific intact, with a Chinese government that was capable of enforcing a peace and policing the country for the imperial idea) when her war lords rashly destroyed the comprador-bourgeoisie of Shanghai and the bankers and great landlords of Kiangsu and Chekiang. For they thereby destroyed the economic base, and hence the decisive political influence in the government, of those very elements absolutely necessary to Japan in order to realise a

workable compromise and reconciliation. This hope has passed.

“The political power in the Chinese government now has entirely different economic bases. This political power is also more diffused and does not possess the ability to enforce a peace, hence losing its main value as a policing force to Japan; there is no more any point at which the concentration of economic and political power will be sufficient for Japan to win a decisive victory. In Shanghai and in the Kiangsu-Chekiang area only, Japan had an opportunity to conclude her adventure favourably. She is now unable to extricate herself from the mud of interior China, and becomes more deeply and hopelessly mired the farther she goes inland.”

In 1927 it was Chiang Kai-shek's defalcation to the side of the compradores and bankers of Shanghai which enabled Britain to preserve its imperial position in China against the onslaught of the revolutionary national movement. According to the above quotation, Japan has destroyed any possibility of winning the support of these same elements. By her destruction of Shanghai and the ruin she has brought there and in the hinterland, she has weakened the economic position, and hence the political influence, of the only “concentrated” interests in China which might have compromised with her.

In the present writer's opinion such a compromise was never in fact possible because of Japan's economic and financial weakness—because, that is to say, of the primitive or military nature

of Japanese imperialism as contrasted with British economic imperialism.

It is incontestable that by her attack on Shanghai and her sack of Nanking, Japan has driven Chiang Kai-shek to rely to a greater extent than before on the more radical and uncompromising social and political forces. At the same time the bankers and merchant elements, although weakened, are not destroyed, and at Canton and Hong Kong, out of reach of the Japanese, they keep open China's contacts with the Western imperialist powers and still enable the Chinese government to import the sinews of war.

When Japan attacked Shanghai and Nanking she hoped to aim a blow at the heart of China and so paralyse Chinese resistance to her aims in the North. If her troops and her battleships and her aeroplanes had won a rapid victory, Japan might have realised her immediate aim, but the proof given at Shanghai that Japan's arms are not irresistible strengthened the will to resist all over China. Even though Japan controls the coast and the lower Yangtze valley, Chinese political unity has not been destroyed, and the belief that Japan can be worn down, if China is resolute and patient and undismayed in the face of the most appalling suffering, has grown stronger, not weaker.

Moreover, the terrible atrocities committed by the Japanese troops, not only in the large

cities but in thousands of villages, are uniting the Chinese people in a quite particular way. The rural gentry and the bourgeoisie of China have seen and heard enough to know that they have far more to fear from the Japanese soldiers than from the most "Communist" of their neighbours.

In the districts in the north, near Peking, where the former Red army is operating, its policy has followed the line of class collaboration laid down by its leaders. In the desperate near-famine conditions in many districts supplies of food have been equalised, but there has been no confiscation of the landowners' land, and a clear distinction between bandits and volunteers has been established in the minds of the peasants by the suppression of ordinary banditry.¹

Although intelligent Japanese may fully realise that if they fail to bring the village gentry over to their side their cause must ultimately be lost, the Japanese soldiers are too indisciplined for any such enlightened policy to be followed as the winning-over of one section of the conquered people.

Most Japanese soldiers are ignorant peasants from poverty-stricken villages with the same instinct to plunder and rape as ex-peasant bandits in China, but undeterred from the worst excesses

¹ See the interesting account in the April 1938 issue of *Asia* from another correspondent in North China.

by being of the same race as those they despoil. The behaviour of the Japanese to their own women is sufficiently callous for one to be able to imagine how they treat the women of the conquered, even were there not so many newspaper reports concerning their practice of demanding a stated number of women to be delivered to them when they enter a town or village.¹ Moreover, their whole training in the army is deliberately designed to brutalise them and to teach them to suppress their natural human feelings for the glory of the Mikado.

A fine instrument is needed for a delicate purpose, not a war-maddened army of ignorant peasants and little less ignorant officers who glory in a fanatic patriotism. Moreover, the Chinese in the North are making such a policy doubly difficult to carry out.

“If the Red army were following a policy of class war the task of the Japanese would be easy. But the gentry are offered a choice of joining in national resistance with small sacrifice to themselves in land and wealth, or declaring for the Japanese with

¹ *The Times* correspondent in a despatch from Suchow on April 28th, 1938, states :

“Rumours, followed by the truth, have trickled down from the Japanese occupied areas, and the Japanese treatment of women alone has probably done more than years of central government propaganda to unite and almost discipline the politically unconscious Chinese in the territories bordering the war areas.”

every danger of attack from their own people and ultimate despoliation by their would-be friends. So far no Chinese of ability has shown any willingness to work for the invader in central or district administration."¹

Similarly with regard to the Chinese armies Japan's practice of massacring prisoners naturally leads the Chinese soldier to fight on, however great the odds, and prevents small groups cut off from the main armies who might otherwise surrender from doing so. These groups remain as guerrilla bands to harass Japan's lines of communication and to plunder her convoys. They prevent Japan getting hold of such stocks as remain in the interior or being able, even if the peasants try still to cultivate the land, to export their produce. For instance the Japanese expected to get one million piculs of raw cotton out of the North, but have secured only 40,000 because so many consignments have been wiped out *en route*. Japan cannot spare enough troops to secure the safe transport of goods even on the railways she controls.

It is not intended here to give a catalogue of Japanese atrocities, but since in the British press the veil is, for political reasons, rarely lifted upon them, it is worth giving a few of the facts. It is not intended to imply that other nations do not all commit atrocities, but the scale and the scope of

¹ *Asia*, April 1938.

the Japanese massacres warrant the assertion that her army command has set out to murder every Chinese soldier who falls into their hands and to spread terror through the civilian population by massacre, rape, and looting.

According to reports of eyewitnesses when Nanking was captured, the soldiers who surrendered their arms after a promise made by the Japanese command that their lives should be spared were all shot or mown down in batches by tanks. The correspondent of the *New York Times*, Mr Tillman Durdin, describes what he saw as follows :

“Mass executions of war prisoners added to the horrors the Japanese brought to Nanking. After killing the Chinese soldiers who threw down their arms and surrendered, the Japanese combed the city for men in civilian garb who were suspected of being former soldiers. In one building in the refugee zone four hundred men were seized. They were marched off, tied in batches of fifty, between lines of riflemen and machine-gunners to the execution ground. . . . The writer watched the execution of two hundred men on the Nanking Bund. The killing took ten minutes. The men were lined against a wall and shot and then a number of Japanese, armed with pistols, trod nonchalantly around the crumpled bodies, pumping bullets into any that were still kicking.”

H. T. Timperley, the *Manchester Guardian* correspondent in China, has collected incontest-

able proof of the almost unbelievable barbarities perpetrated at the order of the Japanese High Command. One quotation is given below from his book, which will shortly be published under the title : *What War Means : The Japanese Terror in China.*

“ . . . More than ten thousand unarmed persons have been killed (in Nanking) in cold blood. Most of my trusted friends would put the figure much higher. These were Chinese soldiers who threw down their arms or surrendered after being trapped ; and civilians recklessly shot and bayoneted, often without even the pretext that they were soldiers, including not a few women and children. Able German colleagues put the cases of rape at 20,000. I should say not less than 8,000, and it might be anywhere above that. On University property alone, including some of our staff families and the houses of Americans now occupied by Americans, I have details of more than 100 cases and assurance of some 300. You can scarcely imagine the anguish and terror. Girls as low as 11 and women as old as 33 have been raped on University property alone. In other groups of refugees are women of 72 and 76 years of age who were raped mercilessly. On the Seminary Compound 17 soldiers raped one woman successively in broad daylight. In fact, about one-third of the cases are in the daytime.

Practically every building in the city has been robbed repeatedly by soldiers, including the American, British, and German Embassies or Ambassadors' residences, and a high percentage of all foreign property. Vehicles of all sorts, food, clothing, bedding, money, watches, some rugs

and pictures, miscellaneous valuables, are the main things sought. This still goes on, especially outside the zone. There is not a store in Nanking, save the International Committee's rice shop and a military store. Most of the shops after free-for-all breaking and pilfering were systematically stripped by gangs of soldiers working with trucks, often under the observed direction of officers, and then burned. We still have several fires a day. Many sections of houses have also been burned deliberately. We have several samples of the chemical strips used by soldiers for this purpose, and have inspected all phases of the process.

Most of the refugees were robbed of their money and at least part of their scanty clothing and bedding and food. That was an utterly heartless performance, resulting in despair on every face for the first week or ten days. You can imagine the outlook for work and life in this city with shops and tools gone, no banks or communications as yet, some important blocks of houses burned out, everything else plundered and now open to cold and starving people. Some 250,000 are here, almost all in the Safety Zone and fully 100,000 entirely dependent on the International Committee for food and shelter. . . ."

(From a letter written on January 10th, 1938 by one of the most respected members of Nanking's foreign community who, because he is still there, dare not allow his name to be published.)

Such frightfulness as this, like the aerial bombardments of Chinese cities, defeats its own ends. Chinese morale is strengthened not

weakened. Nor can one subscribe to the view of the British apologist for Japan, Admiral Mark Kerr, C.B.E., who stated in a speech made to the Japan Society in London in October, that the reports of the bombing of residential areas were absurd, since the feeding of civilians is the most difficult problem of defence, and if the Japanese had been foolish enough to drop bombs it would merely have helped the Chinese.

On the evidence available, Japan's attempt to get the landed gentry of China to do the job of holding down their fellow countrymen in the North has not succeeded. The excesses of her soldiery seem rather to be leading to the regeneration or eclipse of these social elements in the crucible of the war of liberation. Insofar as there are some rotten or decayed elements in China which can be won over, Japan has been able to set up a puppet government at Peiping and another for Central China. They have dragged from obscure corners ancient Confucian scholars who hardly realise what is happening through the mist of old age, other old men who were once officials of the Manchu dynasty, a few members of the corrupt Anfu clique which ruled at Peking before the Kuomintang government was established, and some henchmen of the war lords of the pre-1927 period.¹

¹ "On looking over the leaders of the Peking Provisional Government most of them are found to be affiliated

All the decaying social forces cut out of the body politic of China by the Kuomintang are being resurrected by Japan in her attempt to plunge China back into medievalism, disunity, and powerlessness. But these puppets are unable to administer the conquered territories; a Japanese officer must stand beside them to tell them what to do and to say, and there are not enough Japanese soldiers to enable their writ to run outside the big cities. No wonder that General Matsui, on his return to Japan after having been relieved of his command of the troops at Nanking, stated to the press that: "For the time being it is rather difficult to expect a sound and solid government to emerge in Central China." He further stated that "difficulties are mounting in the situation" and that, "the establishment of a merely nominal government would be futile."

The Japanese hope by destroying all the universities and higher educational institutions in

with the late Marshal Tuan Chi-jui and the late General Li Yuan-hung and the late Hsu Shih-chang, who were dictators or presidents of the old Chinese Republic. When these presidents were in power at the head of the old Peking government, China's relations with Japan were very good and naturally peace prevailed over East Asia." *Yomiuri* translated in the *Trans-Pacific*, December 30th, 1937.

For full details of the past history of "Japan's Puppets in China," see the article by A. W. Canniff, *Asia*, March 1938.

China, and in general producing the same lack of educational facilities in China as in Manchuria and Korea, to produce "loyal and obedient" subjects.

One of the most tragic aspects of Japan's brutalities in China has therefore been the deliberate destruction of universities and schools as hotbeds of anti-Japanism and the centres of Chinese culture. According to the statements of Chinese educational authorities more than one hundred and thirty educational and cultural institutions were destroyed, or partially demolished, by aerial bombardment and artillery fire in the first six months of the war. When they deliberately destroyed Nankai University the Japanese said this had been done because it constituted a centre of anti-Japanese sentiment and activity. But Japan's aim is wider than this. She wishes to create the same conditions as in Manchuria and Korea, where no higher educational institutions have existed since they became Japanese colonies. In Manchuria the North-eastern University was closed immediately after the Japanese occupation and has never been reopened. The number of schools and students in Manchuria to-day is less than in 1929, whilst in Korea in 1936 only 0.5 per cent of total expenditure was devoted to education. Koreans have long been taught "to follow, not to know" and, according to the Educational Ordinances of

Korea, the essential principle of education there is not to develop human personality or to impart knowledge, but "the making of loyal and good subjects."

At the same time as Japan plans to reduce Chinese education to the same condition as Korean, she announces her intention of reviving the old Confucian teaching in its most reactionary and out-of-date aspects. The Confucian precept that the ruled must obey the superior ruler is to be the "ideological" foundation of Japanese domination. In an article "How to deal with Chinese Universities," Dr Shinzo Shinjo writes: "Confucian morality should be made the guiding spirit of University education, and useless theory and learning should be removed."

The most conspicuous failure of the Japanese to find any dissatisfied or corrupt elements of importance in China, in order to disrupt the country from within, was at Canton early in 1938. The *Economist's* Hong Kong correspondent described the attempted Japanese *coup* as follows:

"A plot to bring about a *coup d'état* in Canton misfired, and it has cost Japan a considerable sum, said to amount to 2,000,000 yen. Certain well-known Chinese allowed it to appear that they were consenting parties, but at the same time passed on to the Canton government information about the plot. The government was therefore ready and as

soon as there were signs of trouble, martial law was proclaimed and several hundred deluded agents of the Japanese were arrested. Simultaneously an attempt by Japanese destroyers to enter the Canton river was stopped by the Bocca Tigris forts and the river was closed by a boom."

The Japanese terror has made Chinese of all classes seek to escape from her rule by abandoning their homes and trekking many weary miles in spite of hunger and an uncertain destination. Internal migration, in other words the flight of literally millions of refugees from the war areas, is going on in China. There has been a mass exodus of war refugees from the Northern provinces and an even larger exodus from the lower Yangtze valley since the Japanese occupied it. It is estimated that Hangchow now has a population of about 100,000 out of a previous total of 600,000; Nanking 300,000 out of a million (here the mass slaughter of the civilian population by the Japanese accounts for a large number); Wusih, China's principal silk-producing centre, had 300,000 inhabitants last August and now has only 10,000. It has been estimated by Chinese and foreign war correspondents that no less than 16 million people have fled westward out of the Shanghai-Nanking-Hangchow triangular area. In Shanghai out of a total of 150,000 factory operators only some 35,000 are still being employed. Only one-fifth

of the cultivators are left in the fields of the Yangtze delta.¹

As regards North China an investigation of villages near Paoting undertaken in the autumn of 1937 showed that about 25 per cent of the peasants had fled.² Mass migration during the subsequent fighting along the Lunghai Railway must have been far greater, and the number of those peasants who have died enormous.

In the Japanese occupied areas in the North the country-side is so deserted that in many places no spring planting is being done.

Although many of these refugees will certainly die of famine unless British and American relief agencies receive donations on a far greater scale than at present; others will help to develop China's Far West.

The effect of the colossal internal migration proceeding in China—of peasants fleeing from their homes, students thrown out of their schools and universities as the Japanese advance, business men, technicians—is to give a further stimulus to the Chinese government's drive to develop the south and south-west provinces as a new centre of gravity for the country's defence. Foreign observers speak of the beginning of a re-orientation in Chinese economics and politics,

¹ Figures taken from the *Far Eastern Survey* of April 6th, 1938.

² *Ibid.*

and there is little doubt that the effect will be permanent in that the coastal regions will never again be of such paramount importance as in the past.

When one comes to consider the economic strength and weakness of the two combatants the balance at first sight appears to be overwhelmingly in Japan's favour. Japan has modern armament factories and an army equipped with the latest killing devices. China has a few arsenals producing small arms, but no possibility of producing modern heavy armaments and hardly any developed coal and iron resources. China cannot make a single aeroplane or motor car, and Japan, though far behind the other great powers in this respect, can turn out a few thousand automobiles a year and makes aeroplanes herself from imported materials, models, and dies. In a word, Japanese economy is, in some branches of production, quite modern, whilst China has only taken the first steps in industrialisation. Nevertheless, the very backwardness of China has its compensations, provided only that she is not completely cut off from the outside world.

Japan's dependence on foreign trade is absolute. Every branch of her economy, from the peasant, only able to exist if he has a subsidiary source of income from agriculture or his children's earnings in industry, to the cotton and rayon

factories producing for the world market, depends vitally on foreign trade. China with her primitive economy can almost "live of her own." Most provinces and most districts, except in the coastal areas already conquered by Japan, are more or less self-supporting. Communications and trade are insufficiently developed to have broken down the old self-subsistent village or county or provincial economy. This self-subsistence means semi-starvation, and famines at intervals, and it has been the great obstacle to the development of a strong centralised administration, but it also means that foreign trade or even inter-provincial trade is not a vital necessity to the life of the people. Hence, China as a whole is less vulnerable to the disruptive effect of invasion than a highly developed country. Her economic system does not cease to function when capital cities and large territories are occupied by the enemy. True that some foreign trade is essential to the existence of the central government and to the possibility of offering armed resistance to Japan, but foreign trade still continues and China has not yet exhausted her foreign currency reserves safely deposited abroad or in Hong Kong. She may conceivably get credits from Britain or the U.S.A., and in any case, Japan is likely to find herself without the means to import vital war materials before, or as soon as, China. China, as has frequently been remarked,

is strong in the means of defence, Japan in the means of offence.¹

Japan herself, though her higher form of economy renders her far more dependent on foreign trade than China, has not developed her heavy industries and her chemical industries sufficiently to free her from the need to import light steels, fertilisers, and machines. Nor has she adequate coking coal and iron. Her industrial development and social organisation, and the extreme centralisation of capital ownership, fit Japan to mobilise all her resources rapidly for a strong attack ; they do not give her the strength to endure a long war of attrition. Japan counted therefore on a rapid victory and, having failed to win it, there are already voices cautiously raised to prevent her committing herself irretrievably to a long war which she has little hope of winning, and which must in any case so exhaust her that Britain and the U.S.A. will easily be able to filch the fruits of victory from her.

CHINA

Coming to a more detailed examination of the economic resources of China and Japan one can

¹ The latest Japanese army pamphlet admits that China "with its enormous population and territory, not being a modern state, seems to be suffering less acutely than a fully developed modern state would do, from its losses in men and money. It is because of these circumstances that China can still plan long-term warfare with Japan."

note the fact that China has some twenty arsenals employing 25,000 workers for the manufacture of small arms. An estimate made in 1936, gave the combined capacity of these plants at about 800,000 rounds of rifle ammunition per day and around 3000 rifles and 200 machine-guns monthly.¹ Not only is this a very small figure but several of the arsenals are already in Japanese hands. Although, as mentioned in previous chapters, arms, oil, and aircraft, trucks and railway equipment, continue to reach China from abroad, both her limited financial resources for their purchase, the ever present fear that Japan may occupy Canton, and the inadequacy of transport facilities inside China, require that China should economise her ammunition and arms to the utmost.

“ Strategy requires that she avoid frontal conflicts between massed armies and attempt to counteract Japan’s mechanical superiority by extending her forces on wide and flexible fronts and adopting the tactics of semi-guerrilla warfare. The cost is necessarily the loss of seaboard industries and trading centres which further weakens her service of supply, and, of course, enormous destruction of property and lives, including the lives of non-combatants.”²

As regards the actual channels of trade open to China, there are still several. The Hong Kong-

¹ *Far Eastern Survey*, Vol. VI, No. 21. “Economic Preparedness in China and Japan.”

² *Ibid.*

Canton entry is by far the easiest and therefore the main avenue for supplies at present. So far the repeated attempts of the Japanese to destroy the Canton-Hankow railway have failed.¹ Secondly, there is a railway from Haiphong in French Indo-China to Yunnan province, whence supplies go by road to Central China. This is apparently still being used in spite of Japanese threats to France in the autumn of 1937. If Britain and France should desert China completely and accede to the Japanese demand that they should put a ban on munitions shipped to Hong Kong or Haiphong, China would be left with only the difficult land route by road from the U.S.S.R. to Sinkiang, since the somewhat easier land route from Outer Mongolia has been cut off by the Japanese occupation of Kalgan and Eastern Suiyuan. A new motor road from South China to the frontier of Burma is, however, being rapidly completed and may be of great importance in the future. China has, of course, very few railway lines, but new motor roads now play an important role in military transport,² although

¹ Parts of the line have been frequently destroyed from the air, but immediately repaired so that traffic has never been interrupted for twenty-four hours. The trains, however, leave Canton always at night.

² China's road mileage has increased from 28,900 miles in 1930 to 68,000 miles at the end of 1936. *Far Eastern Survey*, Vol. VI, No. 21, where full details are given of China's rail, road, and water transport system.

they cannot compensate for the lack of railways in view of the shortage of trucks and fuel.

China's ancient waterways continue to bear the traffic necessary for the livelihood of the civilian population.

The valuable *Surveys* of the American Council of the Institute of Pacific Relations point out the importance of air and electrical communications :

“ Radio, telephone, and telegraphic communications have also spread rapidly during the past few years. Long distance telephones connect at least fourteen of the eighteen provincial capitals, 40,000 miles of telephone wire have been laid in the last three years, and there are at least 61,000 miles of telegraph lines following, in the main, railway and highway routes. Radio-telephony has been inaugurated between several important cities. . . . The experience of the former Red armies in China shows how important military radio can be in the organisation and conduct of semi-guerrilla warfare. Even if overland wires should be broken through military operations, these radio stations will play an important role in the maintenance of China's lines of communication.”

The Chinese government's reserves of gold and foreign exchange abroad were stated by the finance minister to amount to 800 million Chinese dollars (£48 million) in May 1937.¹ Since

¹ *China and Japan*, Royal Institute of International Affairs, p. 113.

the war began China has shipped further quantities of gold and silver abroad or to Hong Kong. Although her reserves must soon be depleted the advantage gained by China through her currency reform in 1935 in mobilising her silver hoard before present hostilities began, cannot be over-estimated. There are still other resources to be mobilised in the form of holdings abroad and at home by private individuals who can be persuaded, or if necessary compelled, to exchange them for war loan. In general, the government must rely largely on borrowing and will be able to do so on a fairly large scale so long as it is supported by the modern Chinese banks. In view of the disruption of trade and industry in the treaty port areas, which are the foundation of the modern banks, the connections of the Chinese banks with foreign banks are a vitally important factor. Much depends on the goodwill of Britain and the U.S.A. It is unlikely that much revenue can be raised by new taxation, but the old practice of government requisitions, and the system of exacting forced labour from the peasantry, which has never been abolished, is probably being extended. This is all part of China's "strength through weakness," since the very primitiveness of her social and economic organisation (the failure of capitalist forms of exploitation to supersede feudal ones) renders her government more immune to the cutting-off of its cash

revenue than would be the case in a modern state.

The new centres of economic activity being created in the interior of China now that Japan holds the coastal regions, may eventually free the government from its dependence on the Shanghai bankers and, if China can hold together, the Japanese invasion will have had one good result in leading to the development, under stress of war, of the outlying provinces which have so long remained a backwater.

The longer the war goes on the more China must come to rely on a non-monetary economy and, if Western aid in the form of credits and arms is withheld, and China is driven to rely entirely on her own resources, we may see a kind of war Communism in China and increased "Red" influence. For the longer the war goes on, and the less assistance China receives from Europe and the U.S.A., the more compelling will become the demand for equal sacrifices from all sections of the population, and the more essential it will be for the government to mobilise—if necessary by force—all national resources for the prosecution of the war.

Can the extraordinary nationalistic fervour, now at its all-time peak in China, be effectively maintained in the face of the ghastly sufferings of the civilian population and the famines and disease which are bound to spread? Can national

solidarity be maintained without concrete economic and social reforms? This may well be the most important question in China to-day.

The primary problem of China is, as we have already seen, the agrarian problem, and its solution basically depends on whether or no the stranglehold on the peasant of the parasitic landlord-usurer-official is loosened. It is probably as a result of how the agrarian problem is tackled, or rather as to whether it is tackled at all, that the fate of China in this war will be decided. Although the Communist party of China has proclaimed its abandonment of class-war policies and no longer liquidates landowners, the discontent, misery, and poverty of the peasantry, and the exploitation to which they are subjected, remain stubborn facts. It is also difficult not to admit that there is a large amount of truth in the old theory of the Communists, now apparently abandoned by the Comintern, that in China the peasant cannot be emancipated by the bourgeoisie since the bourgeoisie for the most part is itself a landowning-usurer class.

The basic problem is : can China continue to resist Japan if her peasants are so oppressed that the change from a landowner collecting taxes for a Japanese administration, instead of for a Chinese, might appear to matter nothing to them—if the Chinese landowner, usurer, and tax collector appears to be the immediate enemy?

Can the peasant be expected to continue suffering the miseries entailed by the war unless he is given the land? Can the same relations of goodwill and co-operation be established between the Chinese armies and the peasants as the ex-Red army apparently succeeded in creating?

It would be rash to prophesy. The strength of national feeling may override even such problems as the agrarian problem of China, and the Japanese by their wholesale massacres of civilians in both towns and villages are helping to convince even the poorest and most miserable Chinese that the foreign oppressor is far worse than the native one.

The Japanese hold out no hope to the peasant, but try to win over the landowners. In the occupied areas the peasants realise that under the heel of Japanese militarism they can never escape the oppression of the landlord, the usurer, and the tax collector. Perhaps even the extremely limited reforms of the Nanking government have in many provinces given the people a hope of better days if they can preserve their independence, whereas under the Japanese there is no hope of improvement and the prospect of even greater oppression. If the Japanese came, like Napoleon, to emancipate the peasant and strike down his oppressors, things would be different. But the Japanese come holding out the hand of friendship to the rural gentry, or at least with an assurance

that the old methods of rural exploitation and the old ways of life and thought shall be preserved, when the massacring of Chinese of all classes by their armies shall have ceased.

Whatever the shortcomings of the Nanking government, however little progress in improving the livelihood of the people it has been able to achieve, the causes of this are, as we have seen, mainly external. A few years more of peace might have seen far-reaching reforms in administration, taxation, and land tenure. But the Japanese are striving to resurrect the most reactionary, corrupt, and rotten elements in China.

It is easier to fight a defensive than an aggressive war with a discontented peasantry, and this is a war in which the Chinese are defending their own homes and families from direct attack, not war on a distant frontier. Moreover, many of the wealthy, or comparatively wealthy, have already become poor through the destruction of their property and the cessation of their business enterprises.

The more Japan devastates the land and the more property her bombers destroy, the less economic class differentiation there is in China. When commercial and industrial capital ceases to be able to function, and the government requisitions the landowners' surplus for the army, all are reduced to much the same level of poverty.

JAPAN

It is easier to appraise Japan's material strength than China's, for the latter's is largely incalculable. Japan's ability to carry on month after month, and perhaps year after year, must depend to an even greater extent than China's on her maintenance of trading relations with the outside world. Japan is not in danger of a blockade, but she is in danger of a drying-up of her resources for the purchase of war materials through a decline in her exports. This decline has already set in as a result of the curtailment of raw material imports and the steady rise in her costs of production; and to a much slighter extent as a result of the boycott movement abroad. If the two latter factors become intensified, her ability to purchase essential war materials will be seriously undermined. Costs of production in some lines must rise in view of the mounting cost of living and cost of raw materials, power, and other overheads. Although the working class in Japan is so poorly organised, the demand for labour in the war industries, the mobilisation of so many peasants from the villages and the death of many of them in China, must inevitably raise wages if serious popular outbreaks are to be avoided.

As regards raw materials the monopoly position of the big merchant houses has been strengthened

by the import restrictions, and government action has not been exerted effectively to control prices. The same applies to power charges. Coal prices are rising rapidly and the nationalisation of electric power is not yet a reality although a Bill for control of the power industry was passed through the Diet in 1938. There are many references in the press to the distress of small merchants and industrialists.

The boycott movement abroad is more incalculable. In Malaya, Dutch East Indies, and other neighbouring regions retail trade is largely in the hands of Chinese and the effects of the boycott are serious.

In the U.S.A. the popular boycott movement may not yet have seriously curtailed Japanese sales, but the Japanese are already alarmed about it. The *Nichi Nichi* stated in February that the consumption of raw silk in the United States since July (the beginning of the silk season) has gone off by 27 per cent as compared with the year before the war began. It refers to the extreme reluctance of American traders to lay in stocks of Japanese silk, and states :

“An intense business depression there and America's feeling against Japan in connection with the China incident are mainly responsible for the drop.”

Although silk exports of recent years have been less than cotton exports, their intrinsic value

to Japan is greater since they are a native product, not a manufacture requiring large raw material imports.

In Britain, Australia, Canada, and India the boycott and trade union action against handling Japanese goods have been damped down by the government.

If British and American sentiment at the time of the repeated aerial bombing of the civilian population of China's cities in the autumn of 1937 had remained at the same fever heat, a really effective boycott movement might have got under way. It was undoubtedly this prospect, demonstrated in particular to the Japanese by the Albert Hall meeting at which the Archbishop of Canterbury presided, which caused Japan somewhat to abate the ferocity of her airmen. Many Chinese women and children undoubtedly owe their lives to-day to this protest. It must be understood that to the Japanese the Archbishop of Canterbury is the man who placed the crown on King George's head, as they saw at the cinema. Consequently in the eyes of many he is the next most important person to the King, and with the view of monarchy which has been carefully inculcated in the minds of the Japanese, this means a great deal.

The various factors operating to curtail Japanese exports have already produced a 21 per cent drop in the figure of total exports in the first quarter of 1938 as compared with 1937. The

Nikkan Kogyo reports on the "severe ordeal of medium and small industrialists interested in the manufacture of export goods," and lists such articles as enamel ware, celluloid manufactures, knitgoods, towels, and handkerchiefs. Exports of enamelled ware in January 1938 were only half as large as in 1937 and the industry faces ruin. The report concludes :

"A great flood in West Africa, one of the best markets, denial of exchange liquidation in London, and boycott of Japanese goods in South Sea countries are responsible."

Exports of celluloid articles are also down 50 per cent, and handkerchief exports are falling as their prices rise.

There is hardly a single considerable line of export which does not show a decline in recent months. Cotton textile exports are down by 25 per cent.

How effective in stopping Japanese aggression a refusal to buy Japanese goods by the peoples of the British Empire and the United States would be, is obvious from the most cursory glance at Japan's foreign trade statistics and raw material resources.

Both the import and export trade of Japan is highly concentrated as regards markets. In 1937 British Empire and United States markets took 58 per cent of her exports and supplied 71 per cent of her imports. The percentages have

increased since 1936 when they were 56 per cent and 67 per cent respectively ; but it will be noted that the percentage share of Japanese purchases has risen more than the percentage share of what she sells. Certain European countries, notably Germany, Switzerland, Belgium, and Sweden, bought a good deal more from Japan in 1937 than in previous years, as well as selling more, the rise in exports to Japan from Belgium and Sweden being particularly marked. Nevertheless Japanese trade remains vitally dependent on British Empire markets, the United States, and the Dutch East Indies ; Germany, the next largest supplier, contributed 4.7 per cent of Japanese imports, but took only 1.3 per cent of her exports ; Sweden, whilst supplying goods to the value of 49 million yen, bought goods valued at only 11 million.

Japanese exports consist mainly of textiles, cheap manufactures, tinned foods, and raw silk. No European market could therefore compensate Japan for the loss of her markets in India, China, the Dutch East Indies, British East and West African colonies, South Africa, Egypt, etc. Silk is a semi-luxury raw material, and therefore no other market could take the place of the United States which purchases about 85 per cent of the total. Japan's main export to Britain is tinned fish—crab, salmon, and lobster.

As regards Japan's trade with China it has, of

course, fallen steeply. In spite of the tariff changes to suit her instituted in North China, her exports to China as a whole were only 54 million yen in the last six months of 1937 as against 125 million in the first half. Imports fell from 103 million to 40 million.

If Japan were prevented from selling to British Empire markets, the United States, and the Dutch East Indies, she could not obtain the foreign exchange to purchase oil and raw materials for her armaments industries, nor cotton, wool and wood pulp for her export industries, from any other countries. Hence Japan's vulnerability to a boycott of the Anglo-Saxon powers. She is far more vulnerable to sanctions than Italy. In Japan's case action by all the states members of the League of Nations is not necessary at all, and she has not got the goods to sell which the countries favourably disposed to her need to import. Moreover, the Abyssinian war lasted only a few months and Italy entered upon it after more than a decade of peace. The present Sino-Japanese war is not proving to be a short campaign, but a long-drawn-out struggle, and Japan entered upon it with her financial reserves exhausted by the "Manchurian affair" and its aftermath.

It cannot be denied that economic sanctions applied only by Britain, the United States, and Holland, would quickly paralyse Japan's war machine.

Even as regards the very partial sanctions applied to Italy (which did not include an embargo on oil) the study made by the Royal Institute of International Affairs¹ comes to the conclusion that if the war in Abyssinia had lasted longer they would have been effective.

The real difficulty, of course, is not that Japan could not be stopped without danger to the British Empire and the U.S.A., if they would co-operate to cut off trading relations or even merely cease to buy Japanese goods; the real difficulty is that many people in both Britain, the U.S.A., Canada, and other British Dominions are making large profits selling war materials to Japan.

Canada, for instance, supplying Japan with non-ferrous metals (lead, zinc, aluminium), wood pulp, and timber, sold 42 per cent more to her in 1937 than in 1936 and purchased 40 per cent more. Her imports from Japan amount only to one-fifth of her exports to Japan. The increase in sales to Japan continued until the end of the year. The United States sold 50 per cent more in 1937, but bought only 7.6 per cent more, and by the end of 1937 was buying less.

American exports of steel as well as oil to Japan have gone up by leaps and bounds since hostilities began. America is also supplying chemical plant, coal tar products, ammonium sulphate, hides, copper, and aeroplanes. Britain

¹ *International Sanctions.*

sold 45 per cent more and also bought more. Her imports from Japan and her exports to Japan were also higher in December 1937 than in December 1936.

Whereas the popular boycott movement in the U.S.A., in particular the propaganda against wearing silk stockings and silk clothing, has had an appreciable effect on sales from Japan, the British public continued in December 1937 to buy more Japanese goods than in previous years.

The refusal to place an embargo on British and American exports to Japan, as compared with the talk of sending battleships to the Pacific if the European situation, or American public opinion, permitted this to be done, is hard to explain unless it is that no government will touch the profits of its merchants of death. Sending naval forces means sending young men to be maimed or to die; an embargo means cutting the profits of certain exporting interests. Governments apparently always prefer the former to the latter alternative.

The Japanese are mortally afraid of the boycott movement, and this is one of the reasons why they try to avoid offending Americans, whereas they consider the boycott movement in Britain is too insignificant to-day for them to have anything to fear. One finds Japanese newspaper articles reassuring the public that it need not worry because the capitalists in Britain and the

U.S.A. are too anxious to make profits selling to Japan for popular feeling in these countries to affect Japan's foreign trade.

Another most important aspect of Japan's vulnerability to outside influences is the financing of her foreign trade. About 80 per cent of Japanese bills are accepted or rediscounted in the London market. Guenther Stein, the *Financial News* correspondent in Japan, reported in an article published in the *Spectator* that "the hesitation or refusal" to accept Japanese bills by British banks and acceptance houses after the shooting of the British Ambassador in China, was instrumental in eventually producing a Japanese apology. Japan would be extremely hard hit were it not for the short-term credits she obtains in London. The quotation on page 259 shows that there are limits to its elasticity and to confidence in the solvency of her merchants and bankers, and if Britain really wished to stop Japanese aggression financial facilities would be withdrawn.

Japan had an unfavourable trade balance of 636 million yen (£37,000,000) in 1937, and has already used up a large part of her scanty gold reserves.

Japan is on balance a debtor not a creditor nation, if one regards Manchuria as a part of her Empire. Her present effort to induce American capitalists to invest in Manchuria is an attempt to realise on her "foreign" assets which is unlikely

to be successful. Her unfavourable balance of trade is in normal years largely made up by her returns from shipping, but since the war began a large part of her merchant marine has been commandeered for transporting troops and equipment to China.

As regards Japan's gold reserves, she exported 327 million yen of them in the period March-July 1937, since when no figures have been published. It is known that about 846 million yen entered the United States in 1937. Shortly after the beginning of the war the Finance Minister carried out a revaluation of Japan's gold reserves and created a fund with the 747 million yen book-profit so obtained, in order to adjust internal accounts. Japan's total gold reserves in December 1937 were reported to be 801 million yen (£46,000,000). Experts in the Tokyo Commerce Department are reported as thinking that the government will be forced to devalue the yen, but the government has repeatedly stated that the yen must at all costs be maintained at its present exchange level, since otherwise war material imports will be even more difficult to obtain than at present. Japan is relying almost entirely on internal loans to finance the tremendous war expenditure, since the wealthier classes have strenuously resisted proposals for increased taxation.

There is no doubt that each month will place Japan in a more difficult position as regards

paying for her imports, and that she will soon be in a position in which foreign credits become a vital necessity if she is to carry on with her war.¹ This is clearly realised by her financiers and big industrialists (see Chapter V). Hence their efforts to restrain the army and navy from direct attacks on British nationals and British interests. That big business in Japan, and the Court circles allied with it, still have the upper hand in the councils of the nation is evident from the cessation in 1938 of "incidents" involving loss of life or property to British nationals in China. The way is being left open for the wooing of the City of London to obtain the credits Japan must secure if she is to continue her war, and not become involved in an internal economic and political crisis.

Of course, all this is not to deny that Japan still has the means to purchase abroad more than China (unless the latter receives credits), but, in comparing the situation of both countries, it is of great importance to realise how much greater is the Japanese armament expenditure and need. Inferiority in man-power must be compensated for by immense superiority in armaments. Troops must be transported and supplied with food and clothing. Although to some extent Japan can get work done for nothing by forcing the Chinese

¹ Japan has been trying since the beginning of the year to get the United States to grant her a \$90,000,000 loan for the purchase of cotton.

in the occupied areas to build roads and defence works for her, the mass migration of the population away from the areas she has occupied makes this difficult. There is famine or near-famine conditions in most areas occupied by the Japanese and therefore little to be squeezed out of the people for the Japanese army, and Japan's power does not extend far beyond the railway lines and larger cities. Lastly, there is the fact that the Chinese soldier can endure more terrible conditions than the Japanese and exist on less. Since the Japanese are the aggressors their soldiers cannot safely be subjected to the same privations as the Chinese fighting to defend their homes. This, and Japan's shortage of man-power as compared with China, makes Japan's aggression proportionately far more expensive than China's defence, if actual expenditure is considered. In terms of human suffering China's sacrifices are of course infinitely greater.

The Chinese fully realise that their great aim in this war is to make Japan waste her bombs and her ammunition. They are, as the general defending Nanking stated, "pitting flesh and blood against metal." At the height of the bombardment of Greater Shanghai the Chinese comforted themselves with the thought that the more destruction Japan causes the quicker she will be ruined and China saved. Hessel Tiltman writes that he watched day after day whilst the Japanese

blotted out whole sections of the Chinese trenches with " heavies " and aerial attacks, and estimates that at least fifty tons of high explosives were showered daily on the North Station and the immediate areas for ten days in succession.¹ No Japanese soldier, he writes, was required to expose himself if a machine was available to perform the task, whilst the Chinese, " armed with nothing of heavier calibre than machine-guns, gave an exhibition of dogged courage and tenacity which may yet have startling repercussions upon the future of East Asia." " And," he continues, " the Chinese mastered the technique of making warfare expensive for the Japanese."

The same writer and others² have told how the Chinese troops in between raids would calculate the cost of the day's bombardment to Japan. Every aerial torpedo dropped on Chapei killed masses of civilians or soldiers, but was estimated by the Chinese as costing 2000 silver dollars. Lone Chinese air raiders would be sent down the river a few times during the night to bomb the Japanese positions, since one plane cost the Japanese warships and land batteries just as much in anti-aircraft ammunition as several. Tiltman describes how after dark the Chinese would start " tickling the Idzumo " :

¹ " Behind Two Fronts," in the March 1938 issue of *Asia*.

² Reports and articles in the *China Weekly Review* and in the American press.

“ As soon as the Japanese warships were stung into replying, the main body of Chinese melted away, leaving a few lads comfortably ensconced in the sandbags to keep up the contest for two hours or longer. Cost to China—very small. Cost to the Imperial Japanese Navy anything from 5000 to 50,000 yen a time, according to how annoyed the Japanese gunners were. . . . If Chinese blood flowed freely in the streets of the port city and Nanking, so did Japanese treasure ! ‘ I do not doubt that the re-formed remnants of General Chiang’s troops are to-day planning continued guerrilla warfare with the same deep interest in high finance’ .”

Certain writers have assumed that Japan would be able to continue fighting even if cut off from foreign supplies. This supposition is based upon a false conception of her ability to make machines and armaments of all kinds ; an under-estimation of her weakness with regard to the supply of metals and coal (even with North China in her grasp) ; an over-estimate of her oil reserves ; and a complete disregard of her agrarian weakness.

We have already seen how small a proportion of Japan’s industrial workers are employed in heavy industry and how she must import machine tools and the equipment for her armament factories. She produces only 7000 motor cars a year and her aeroplane production depends on imported machinery (dies, jigs, etc.), imported aluminium and imported engines.¹

¹ The Japanese military have themselves admitted that the manufacture of aeroplanes is unsatisfactory. The big

As regards raw materials the facts are as follows:

Japan's iron ore production plus that of Korea meets only 30 per cent of the peace-time demand. The working of the low-grade ores of Manchuria has not yet been made an economic proposition. Even with imported supplies of ore the whole pig-iron output of Japan, Korea, and Manchuria combined come to only $3\frac{1}{2}$ million tons in 1936 as compared with Britain's 8 million and Germany's 15 million. In peace-time Japan imports close on a million tons of pig-iron and $1\frac{1}{2}$ million tons of scrap. Even so, and with production pushed up to its maximum figure, Japan's and Manchuria's steel output came to little more than a quarter of Germany's in 1936— $5\frac{1}{2}$ million tons against 19.1 million.

Japan has no lead or antimony, and so cannot even make bullets without imports. She has no nickel, and this, as E. C. Hanighen, author of *Merchants of Death*, has pointed out, means that without imports her heavy industries would be hamstrung. He notes further that Japan's lack of zinc, chrome, tungsten, and manganese would in enterprises farm out part of their contracts to small workshops and assemble the parts. The small workshops in their turn give out part of the work to be done in households. Naturally these small enterprises are too poor to possess high precision machinery and find it difficult to work to standard. Hence the technical defects of Japanese-built aeroplanes, the large number of accidents, and the reliance upon imports from the U.S.A. and Britain.

time effect not only the fabrication of munitions, but also the machinery which makes munitions. Japan in 1937 spent almost as much on the import of metals, ores, machinery, and coal as she received for her total textile and raw silk exports, and then had to meet a bill of an equal sum for imported raw cotton, wool, and other fibres. (See Appendix Table II.)

Japan imported 62 million tons of steel in 1936. In 1937 her total imports of ores and metals came to 901 million yen (£52,500,000) as against 375 million in 1936.

Japan's dependence on specialised American engineering products is continually increasing. Once dies for motor-car and aeroplane manufacture are bought from America the necessary specialised repair tools have also to be bought and also the light and pliable steels which she cannot produce herself.

The great quantities of metal which Japan hurled for four months at the Chinese defenders of Shanghai were not fully paid for by exports, but they represented the accumulated supplies of the preceding period of heavy imports, adverse trade balances, and swollen budget figures. Japan has now somehow to import again on an enormous scale, but her exports in 1938 are falling.

As regards oil, Japan has to import practically the whole of her consumption. It has frequently

been stated that she has reserves to last her six months, because a few years ago the foreign oil companies were required by the Japanese government to hold stocks to cover six months sales. This, however, meant *peace-time* consumption only, and *peace-time* consumption is very small because of the absence of a motor-car-using general public. Even so the foreign companies refused to store more than three months' supplies, and the Japanese had to find storage themselves.

In fact, Japan has not therefore got the storage facilities for a large reserve supply, and such purchases as she makes in advance have to be partly stored abroad.

It should not be imagined that the ability to pay for, or be allowed to purchase, war materials, is the beginning and end of Japan's dependence on the outside world. Her export industries must import cotton, wool, wood pulp, rubber, and other raw materials, and her agriculture requires imported chemical fertilisers—phosphorite rock for the manufacture of phosphorite and ammonium sulphate. Japan's own production of the latter was almost sufficient in *peace-time*, but her plants are now turning out nitrogen compounds for explosives instead. An article in the January 1938 *Chuo Koron* states :

“The government made a great blunder in formulating its fertiliser policy. The sulphate of ammonia industry, which supplies the most impor-

tant fertiliser to the farms, has been transformed into a munition industry by this time. This is quite inevitable, but the government should have adopted a policy which would have enabled the industry to operate at the maximum efficiency to meet agricultural needs and also with a view to prepare for emergencies."

The high productivity per acre of rice in Japan depends upon two things: chemical fertilisers and man—or woman—power. The former necessitates imports; the supply of the latter is bound to be affected by the mobilisation of so many men for the war in China. We have already seen in Chapter IV how low is the productivity per man in Japan. Japan is supposed to be able to mobilise $2\frac{1}{2}$ million trained men for war, but if she does so the productivity of her farms is bound to fall steeply. There is an obvious analogy with Tsarist Russia (where at least animal power was in general use on the land), and where the mobilisation of millions in the Great War caused famine and revolution.

As early as November 1937 a coming drop in agricultural production was referred to in the Japanese press. The Imperial Agricultural Society urged the government to take action to put agriculture on a war-time basis because "the mobilisation of men and horses will reduce the production power of agricultural communities."

Lastly, as to the factors of finance and morale in Japan, which are in fact closely connected.

Ever since 1932 Japan's huge armament expenditure, plus the cost of the Manchurian occupation, have caused an annual deficit in her budgets of some £35,000,000 to £40,000,000. She entered on this war without reserves accumulated in peace time and with a national debt which had been doubled in less than a decade and amounted to about 11 milliard yen.¹ The 1938-39 Ordinary Budget provides for an expenditure of 2.8 milliard as against a revenue of about 2 milliard. The additional War Budget comes to 4.8 milliard to be raised almost entirely by floating "red ink bonds." In addition to the 5½ milliard to be raised by loans in the current fiscal year, there is about 1 milliard still to be borrowed out of the 2½ milliard appropriated for the war in a supplementary budget last year. Hence the Japanese Government must borrow some 6½ milliard yen (£541,000,000) in the current fiscal year if "malignant inflation," and a fall in the exchange value of the yen is not to occur.² This means

¹ 1 yen = 1s. 2d.

² The depositing of China's Customs Revenue at Shanghai and Tientsin in Japanese banks, agreed to by Britain, will of course help Japan as the basis for credits abroad, but there is a sharp fall in Customs revenue. Nevertheless, valuable assistance in maintaining the yen exchange rate has thus been given to Japan with British connivance.

selling about 546 million yen's worth of bonds a month as against the 215 million sold monthly since January 1938.

Japan's estimated national income in 1936 was 13 milliard yen. Even if there has been an increase since then nearly half the national income must be "saved" and lent to the state if a disastrous inflationary movement is not to set in. It will obviously be impossible to float so vast a quantity of bonds in a country where the *per capita* income is only about 200 yen (£11 13s. 4d.) unless forcible means are employed. The great majority of the people do not know how to exist in face of rising prices, increased indirect taxation, falling or stationary wages, and, in the case of the peasants in particular, the burden of maintaining the families of the men at the front and the disabled, none of whom are adequately provided for by the state. They certainly cannot save and buy bonds. The utmost which the general public, under moral pressure, has been induced to buy is 25 million yen a month, the rest being taken up by banks, financial institutions, etc. The Home Minister has admitted that "the present Spiritual Mobilisation Movement does not seem to have been effective enough."

New capital has also to be found to finance the expansion of war industries and for investment in

Manchuria for strategic reasons. The *Financial News* correspondent writes :

“ Nobody attempts to outline the way in which all these demands are to be met. And there is a distinct feeling that, even if the problems of the present year will somehow be solved, there will certainly be very little margin for repeating a similar effort in the year that follows. Japan seems to be staking everything on this year and trying to ignore the future.”

Japan's great advantage in the financial sphere arises from the extreme centralisation of capital ownership which facilitates the mobilisation of all the country's resources for aggression; the money borrowed by the state returns, as the state spends it, to the same big business interests which lent it. But this centralisation of capital ownership entails a loss of national unity and arouses the fiercest class antagonisms.

A wider diffusion of capital ownership—the existence of a middle class—gives other countries greater social stability than Japan. Moreover the war now demands greater resources than those at the disposal of the financiers and big industrialists.

So long as war is fairly easy, and victory in sight after a short struggle, the classes hold together in the hope of solving domestic difficulties by loot and the exploitation of the conquered.

The peasants and the small bourgeoisie have been told that foreign conquest—first Manchuria, then North China, now all China—will improve their material position and solve their problems. The peasants have been told by the “young officers” that it is not the high rents in kind which keeps them poor, but the monopoly price of fertilisers and the smallness of their farms. The small industrialists and traders were promised cheap raw materials, cheap power, and a wider market. The big business interests were to acquire a monopoly position in China, and so release their monopoly stranglehold on the small capitalist at home. The landowners hoped to free themselves from the burden of their debts to the monopolists through high rice prices and increased political strength won by the victories of their sons in the army. The latter counted on the necessity of a permanently enlarged army to hold China down in the future and provide them all with permanent employment. The youth of the landowning and small bourgeois class could also expect jobs as officials or as police in the conquered provinces, or as technicians in the mines and the railways of North China.

But all these hopes and expectations depend on rapid and fairly easy conquest. As the war goes on, immediate sacrifices become heavier and heavier, and hopes are dimmed. Doubts as to whether China is really the easy victim she

has been represented to be, doubts as to whether it is only the "anti-Japanese pro-Communist Government of Chiang Kai-shek" which has to be fought, and not the Chinese nation as a whole; dissatisfaction at the growing inequality of wealth at home, at the profits of the plutocracy unlimited by all the new legislation, the poverty and sacrifices of life of the peasants, the low wages and longer and longer hours of the workers, the rising cost of living—all these discontents are already growing, although the heavy hand of the police prevents their open expression, and the censorship prevents knowledge of them being reported to the outside world.

The arrest of three hundred and seventy liberal intellectuals in December 1937 and of another batch in February 1938 for having "propagated anti-war thoughts" is significant. The people arrested are not Reds (who were all put in gaol long ago), but liberal university professors (in particular from the Imperial University in Tokyo), authors, and journalists, Labour M.P.s., the feminist leader, Baroness Ishimoto. Feeling must be running high in Japan for such people to court arrest by agitating against the war. The Home Minister classes Communism and "agitation against the China affair" as equal crimes. The arrested were accused not only of having made "every effort to disseminate anti-war sentiment behind the mask of legality," but also of having

“prepared for public disturbances.” The police said they believed they had broken a “nation-wide movement.”

Beneath the crust upon which the plutocracy and the militarists struggle for ascendancy is the volcano of peasant discontent. Such articles and references as do appear in the Japanese press admit that the peasants are suffering grave hardships unrelieved by the higher prices for rice. The article in the *Chuo Koron* from which I have already quoted states :

“The prices of rice have been sustained at fairly high levels thanks to the Rice Control Law, and farmers received some benefit at one time, but most of the benefits have gone to the middlemen, as the standard prices of rice have been fixed on the basis of general commodity prices. The law has not helped farmers much. On the other hand, the farmers have suffered from the accelerating advance in prices of farm implements and other merchandise essential to their daily life. A typical example of this situation can be seen in the case of fertilisers.”

The number of tenant-versus-landowner disputes in Japan in the months preceding the war was the highest on record. The government introduced a Bill “for the adjustment of farmland” in the 1938 session of the Diet which was a compulsory arbitration bill for tenant disputes with the scales weighted against the peasants. As the *Asahi* pointed out, “a measure intended to

benefit the tenants would not entrust adjustment of their relations with landowners to commissions comprising many judicial officials." The land-owning interest is far too powerful in Japan for the government to give any relief to the peasants. It therefore merely tries to crush discontent by force.

Labour is already restive. News of strikes is of course not allowed to pass the censor, but the following statement which appeared in the *Miyako*¹ is significant. Referring to the proposal by the "Mediation Section of the Metropolitan Police Board" that factory committees should be set up "to bring to a peaceful and mutually satisfactory close any labour issues arising," this newspaper says :

"Underlying the move is the fear that major disturbances will break out behind the firing lines if a settlement is not found for various problems of wages and plant sanitation which have been neglected as a result of the shortage of labour since the outbreak of hostilities."

As regards the morale of the troops, there are indications that war weariness has set in already, now that the easy victory expected fails to materialise. No news was, of course, allowed to be published concerning Japan's defeat at Taierschwang on the Lunghai railway in April.

¹ *Trans-Pacific*, January 13th, 1938.

The *New York Times* correspondent, in a despatch sent from Tokyo on April 16th, referred to the attempts of the Japanese press to stem the "wild rumours" concerning the situation in China, and mentioned the "extreme caution exercised to prevent returned soldiers from talking about their experiences in China." He states that the men have come back much chastened and a little uncertain about the glories of war, but that owing to the Military Secrets Protection Law and certain less formal restrictions, they cannot openly discuss their sentiments.

"Military hospitals, where the wounded lie, are not exactly closed. All you have to do to get in is to write applications to the War Office, the Medical Affairs Board and to the particular hospital you want to visit. You state your nationality and your reason. . . . Then you have to wait ten days. The War Office replies that you have its permission. The Medical Affairs Board also answers affirmatively but requests notification of the specific day and hour of the visit. Finally, the commandant of the hospital informs you he will be happy to receive you at that time. Of course, you can't go into a ward to talk with the patients.

"But you can sit in the commandant's office, chatting with him about this spring's cherry blossoms to your hearts' content. The restrictions are almost as tight for the Japanese themselves.

"When a man goes to see a friend or relative, wounded in the war, a medical officer sits by while they talk. This, the visitor is told, is to prevent

the patient from becoming tired from too much conversation."

Thus far, as shown in Chapter V, the two wings of the ruling class are united in prosecution of the war. But some extra strain, above all real economic pressure from Britain and the U.S.A., must split the "moderate" capitalist wing from the other, and so enable the mass of the Japanese people to assert themselves and bring the war to an end. Even without a push from us or the Americans, the split or the crash, both economic and social, must come if the war goes on and on.

To argue that economic pressure from outside would unite the Japanese people ignores the acute social antagonisms. The army and navy officers might wish to defy the world, but officers must have troops to lead, and troops must be supplied with munitions by the working class of Japan or of foreign countries, and must be fed by the Japanese peasants.

This war is a war to make or break Japan. Most observers, even amongst those most favourable to her cause and most contemptuous of China, think now that it will break her. For the peace of the world and the future of civilisation it is to be hoped that China will be able to endure her terrible ordeal, even if none of us assist her, and that Japan's military imperialism will vanish

from the face of the earth like that of Genghis Khan whom some Japanese proudly claim as their kinsman, and since whose day the world has not witnessed such wholesale massacres of men, women, and children as those being carried out by the Japanese army.

Post Script

THE MAY 1938 CABINET CHANGES
IN JAPAN

JAPANESE politics cannot be understood if one thinks merely of "the Army" versus "the Financiers," big capitalist interests or political parties. The army is not a homogeneous entity, but is divided into factions and cliques, and different generals are associated with different capitalist groups, Court officials, and high civil bureaucrats. Moreover, the navy, broadly speaking, has a different policy to the army, or rather to the dominant army factions, and the navy high command has the same power as the army general staff to bring down a cabinet by refusing to allow any admiral to serve as navy minister. Consequently Japanese cabinets, if they are to function at all, must effect a balance, however precarious, between the army, the navy, the monopoly family business houses (the *Zaibatsu*), the Court, and the privy council. All these politically important elements must be represented in the government if the war is to be energetically prosecuted, but the balance will incline first one

way and then another, and within the army itself one faction becomes more powerful than another largely according to the support given it by the Mitsui, the Mitsubishi, or the lesser titans of the business world.

It is in the light of these political constants that the recent changes in the Japanese cabinet must be considered, for their significance is to be found in the affiliations and views of the two generals and the one civilian who have replaced the former ministers of foreign affairs, education, and finance.

General Ugaki, who has become foreign minister in place of Mr Hirota, is an old Minseito party man with close associations with the Court aristocracy and the upper house as well as with the Mitsubishi and Sumitomo trusts. Mr Ikeda, the new finance minister, was governor of the bank of Japan for some months in 1937, and was previously generalissimo of the Mitsui interests. He is the arch type of what the young officers term "a self-seeking capitalist," and he stands in the cabinet not merely as the representative of Mitsui's, but as the guardian of the interests of the financiers in general. General Ugaki was war minister in five Minseito cabinets in the post-war period of party governments, and in 1932 failed to get the leadership of the "young officer" cliques and terrorist organisations because of his reputed close connections with big business. He was, nevertheless, accused by rival

army cliques of being connected with the terrorists who murdered Premier Inukai and Baron Dan Mitsui in May 1932. He was a close associate of the Lieutenant-General Nagata who (as director of the military affairs bureau at the war office) was murdered by Lieutenant-Colonel Aizawa in August 1935. The latter at his trial accused his victim and General Ugaki of being in close contact with various business members of the house of peers and of having acted in the interests of the big capitalists against those of the nation.

On the resignation of the Hirota government in May 1937 the Emperor appointed General Ugaki as premier, but the army vetoed his appointment by refusing to allow any officer to serve as war minister. Prince Konoye, accordingly, became prime minister instead.

To-day General Ugaki is being cast for the role of premier when Prince Konoye resigns.

In view of the foregoing, General Ugaki's appointment as foreign minister must be regarded as a victory, not for "the army," but rather for the house of Mitsubishi and in general those financial and industrial interests which favour what the Japanese press designates as the "North China ideology"—and of the army faction in favour of an anti-Soviet rather than an anti-British orientation in Japanese policy. This means, in the main, the Kwantung army. This

supposition is strengthened by the political alignment of the third new member of the cabinet, General Araki, who is known to be violently anti-Soviet, and who a few years ago was the idol of the fascist-minded "young officers." Since the days in 1931-1932, when he was the leader of the extremist officers and civilian elements who ranted against the capitalists and proclaimed their desire for a "Showa restoration" and "Imperial socialism," General Araki is rumoured to have become a Mitsui man. For, on account of the far-going corruption of Japanese political life, few men who attain to high office in Japan, be they officers or civilians, avoid contrasting relations with the plutocracy. The anti-capitalist "young officer" of yesterday may be a wealthy shareholder in capitalist enterprise to-day.

Although Generals Araki and Ugaki were formerly bitter rivals, it seems that the army factions they represent are to-day united in opposing the limitless extension of the war in China, since they regard the Soviet Union as Japan's most dangerous enemy, and the attempt to gain control over the whole of China as a dangerous dispersion of strength. This was the view of the Kwantung army at the outset, and General Ugaki's influence is based on groups in this army. The blame for the extension of the war outside the five Northern provinces is placed

upon the navy, which was originally in charge at Shanghai. There is reputed to be at least one faction in the army which is in favour of liquidating the puppet government set up at Nanking, and withdrawing from Shanghai and Nanking. If the war is a failure, this faction would attempt to take power on the cry of "I told you so." A further indication of the real meaning of the cabinet changes is the report that the war minister, General Sugiyama, is shortly to be replaced by General Itagaki, for the latter is also Kwantung army. The fact that these cabinet changes were announced almost simultaneously with the news that Hitler has recalled Chiang Kai-shek's German military advisers gives a further clue to the possible significance of Japan's "cabinet crisis." It is extremely probable that Hitler told the Japanese government that, if the "anti-Comintern pact" with Germany were to remain in force, Japan must cease to waste all her strength on the limitless effort of overthrowing the Kuomintang government, and limit her commitments in China in order to conserve her strength for a possible future war, or threat of war, against the Soviet Union. Obviously a Japan sinking deeper and deeper into the bog of China is of no use to Germany as an ally to immobilise the U.S.S.R. in Europe, and this fact has already checked Germany's advance along the Danube. Were it not for the war in China, the

U.S.S.R. would probably not have renewed her pledge to fight in defence of Czechoslovakia.

Germany, having failed to mediate at the end of last year, continued to supply arms to China, in spite of Japan being her ally. This, on the face of it, appeared a strange anomaly, but it is understandable if one assumes, not only that Germany wished to prevent China being thrown back into the arms of the U.S.S.R., but also that she needed a lever to force Japan to limit her war aims to the conquest of North China and Inner Mongolia. If the Japanese cabinet changes signify that German pressure has been effective, the recall of General Falkenhausen and the other German officers with Chiang Kai-shek would naturally follow.

Since the Konoye government has repeatedly stated that it will never negotiate with Chiang Kai-shek and is determined to continue the war till the Kuomintang government is overthrown, only a new Japanese government can announce more moderate war aims and attempt to negotiate a peace with General Chiang Kai-shek. This may explain the rumours in Japan that Prince Konoye will soon resign and be succeeded as premier by General Ugaki, who apparently now has the support of the army factions mentioned above which seek to limit Japan's commitments in China and are immeasurably strengthened by German support. There is in any case every

indication that the cabinet changes indicate a defeat of those elements in Japan which have called for an understanding with the U.S.S.R. in order to press on with the elimination of British interests in China. These elements are designated in Japan as those with the "Yangtze ideology." They are strong in Osaka amongst the textile interests and have the backing of the navy, in particular of the present home minister, Admiral Suetsuga; they are not so much interested in the raw materials of North China as in the trade of Central and Southern China and the cotton mills of Shanghai. They are not heavy industrial interests like Mitsubishi, needing the iron and coal of North China, but manufacturers who want markets and raw material such as rubber, cotton, and wool. Even the defeat of China in this war would not give them what they want, unless British investments and trade were eliminated in the Yangtze valley and Japanese control established over the International Settlement at Shanghai. Obviously Japan could only embark on a frontal attack on British trade and investments in China if she came to some sort of understanding with the U.S.S.R. Hence the demand for months past in certain quarters for such a *rapprochement* (see Chapter VI).

The real question which has to be answered is, which army faction, in alliance with which capitalist interests, is in power. At the time of

writing Japan's financial position combined with pressure from Germany appear to have defeated the protagonists of the "Yangtze ideology."

In the light of the foregoing the recent cabinet changes in Japan probably represent a victory for Germany. Whether they represent more than a diplomatic victory will depend largely on China. If Germany is able to get the far eastern war stopped by a compromise peace which gives North China and Inner Mongolia to Japan, she will immensely strengthen her position in Europe. If the anti-British pro-Soviet political forces in Japan had gained ground, instead of losing it as appears to be the case, Germany's position in Europe would have been greatly weakened. Hence a somewhat paradoxical identity of interest between Germany and Britain with regard to Japan : a menace to Britain in the Far East means at present a weakening of Germany in Europe.

What Hitler may not realise as clearly as General Falkenhausen, who is reported at the time of writing to have refused to abandon Chiang Kai-shek, is that there is no possibility of a compromise peace, that China will not concede any territory to Japan whatever her losses in war and however terrible the suffering of the Chinese people. China will fight on and, if Germany will no longer supply her with arms, and neither Britain nor the U.S.A. will help her, there remains always the last alternative of relying

on the U.S.S.R. at the price of becoming amenable to Russian influence.

It is, of course, possible to conceive of the German pressure exerted on Japan in order to keep her of some use as an ally against the U.S.S.R., as merely the prelude to a German-Russian *rapprochement*. Germany's recent check in Europe may lead Hitler to see this as the policy most likely to allow him a free hand in central and south-eastern Europe now that Japan has been so weakened by the war in China.

If the U.S.S.R. cannot be immobilised by Japanese enmity, perhaps the same result can be achieved by German friendship. Such a *rapprochement*, if it could be brought about in spite of the "ideological" obstacles, would entail the abandonment of Japan by Germany, and hence the almost certainly successful resistance of China to Japanese aggression. But, if it would save China, it would be fatal to the smaller states of Europe.

The renewed bombing of Canton at the end of May, and the Japanese army commander's pronouncement after the fall of Suchow that he will advance to Hankow, do not invalidate the supposition that Japan will now try to limit her commitments in China. Precisely because such a policy has been decided upon, some satisfaction must be given to those who insist on "beating China to her knees," and the popular impatience

at the slow progress of Japan's "invincible" army must somehow be appeased. The killing of some thousands of Chinese civilians at Canton (May 27th to May 30th) can be offered as proof that Japan could destroy all China if she wished; the advance to Hankow is expected both to satisfy the demand for "victories" and to force Chiang Kai-shek to negotiate. If the political power and the prestige of the army are to be maintained, the memory of the reverses in Shantung in April must be wiped out by military victories. All factions must therefore support the attempted advance to Hankow, even if the faction which is dominant for the moment favours peace with China on terms permitting the Kuomintang government to continue in existence, but with North China as a Japanese protectorate. This limited objective cannot, in any case, be achieved unless Chiang Kai-shek's armies are defeated.

It is, of course, always possible that a successful advance to Hankow may again give the upper hand to those Japanese business circles and army factions which are at one with the navy in favouring a *rapprochement* with the U.S.S.R., and a direct attack on British interests in the Yangtze valley and South China. Germany has no guarantee that once she has withdrawn her aid to China the anti-Soviet faction in Japan will retain the upper hand.

A report from Chinese sources, published in the

Daily Telegraph on May 31st, suggests a somewhat different explanation for Germany's withdrawal of technical assistance from China, and of the cabinet changes in Japan. The report states that Japan has agreed to restore to Germany the latter's old leasehold of Tsingtao in return for one thousand four hundred aeroplanes. If this report is true, then Germany must have decided to become a real ally of Japan in order to acquire, without herself having to fight for it, a colony which belongs to neither Britain nor France, and which Japan's puppet government at Peiping would assign to her. If some such German-Japanese bargain has been struck, Japan must be in very grave difficulties, for nothing but dire necessity would induce her militarists to share with Germany the profits of exploiting the Chinese people. It would mean that Japan's weakness had led, not to Britain and the U.S.A. taking advantage of it to stop her war of aggression and safeguard their own interests in China, but to Germany assuming a leading role in the Far East. If Germany is, in fact, now going to supply Japan instead of China with munitions, and in general concentrate on colonial issues instead of on Europe, the outlook for China is very black, unless Britain and the U.S.A. come to her assistance with substantial credits, and some technical assistance. In any case it is clear that Germany's policy will have a vital bearing on the

Sino-Japanese war. Ever since it began she has played an active role, as contrasted with the passive attitude of the Anglo-Saxon powers.

Whatever the actual terms of the understanding between Berlin and Tokyo, it would appear fairly certain that the recent cabinet changes in Japan mark a victory for the protagonists of the "North China ideology," and the ascendancy of the anti-Soviet army factions, rather than a simple further strengthening of "military control" over the Japanese government.

APPENDIX

TABLE I

Japanese Exports and Imports, 1937.
Principal Markets

	(in million yen). <i>Per-</i>		<i>Imports</i>	<i>Per-</i>
	<i>Exports</i>	<i>centage</i>	<i>from.</i>	<i>centage</i>
	<i>to.</i>	<i>of total.</i>		<i>of total.</i>
British India	299		449	
Hong Kong	49		5	
Straits Settlements and Malaya	71		116	
Ceylon	19		4	
Iraq	24		9	
Aden	14		1	
Egypt	33		74	
Sudan	16		6	
Kenya, Uganda, and Tan- ganyika	40		24	
South Africa	54		89	
Nigeria	15		—	
Australia	72		165	
New Zealand	19		49	
Canada	20		105	
Britain	168		106	
Other British Empire	20		21	
Total British Empire	938	29.5	1224	32.0
United States	639	20.1	1270	34.6
Philippines	60		45	
Dutch E. Indies	200	7.0	153	4.0
France	47		28	
Germany	43	1.4	176	
Sweden	12		49	
Holland	18		7	
Belgium	21		41	
Norway	9		24	
Total Continent of Europe	193	6	395	10
South America	110	3.5	163	4.0
Central America	55	2.3	19	0.5
Africa (other than British)	72		12	
Grand Total	3175	100	3733	100

TABLE II

Japanese Exports and Imports.

Principal Commodities

(million yen)

<i>Exports.</i>		<i>Imports.</i>			
	1936	1937	1936	1937	
Raw silk	393	407	Raw cotton	850	851
Cotton tissues	484	573	Wool	201	298
Rayon tissues	149	155	Other vegetable fibres	34	36
Silk tissues	68	72	Wood-pulp and paper	88	141
Woollen tissues	46	50	Phosphorite	20	22
Knit goods	50	61	Other chemical fertilisers	54	56
Total above plus yarns, apparel, and footwear	1190	1318	Rubber	73	99
Potteries and glass	69	88	Mineral oils	183	?
Ores and metals	103	125	Ores and metals ¹	375	901
Machinery, vehicles, and instruments	175	228	Machinery, vehicles, and instruments	153	242
Iron manufactures, electric wire, and nickelled manufactures	76	99	Coal	49	51
Toys	36	42	Wood	56	65
Celluloid, wood, and rubber manufactures	23	30	Oil-yielding seeds	43	41
Wheat flour	17	31	Beans and peas	83	93
Refined sugar	21	18	Maize, rice, and kaolin	35	39
Aquatic products	22	22	Oilcake	36	45
Tinned and bottled foods (mainly crab and salmon)	70	86	Salt	18	29
Vegetable oils	36	24	Wheat	34	30
Hides and skins	23	22	Sugar	21	19
Chemicals and drugs	62	70	Meat and fish	12	—
			Fodder	18	19
			Hides, skins, and leather	47	70
			Drugs, chemicals, and dyes (excluding fertilisers)	93	97
Total all exports	2698	3175	Total all imports	2764	3783

¹ Principally iron and scrap but also copper, lead, tin, zinc, nickel, and aluminium.

TABLE III

Japanese Production compared with that of Other Countries,
1936. (Statistical Year Book of League of Nations.)

	<i>Coal.</i>	<i>Iron Ore.</i>	<i>Pig Iron.</i>	<i>Steel.</i>	<i>Motor Cars.</i>	<i>Merchant Vessels launched. 1000 gross tonnage.</i>
	<i>(Million metric tons.)</i>				<i>1000</i>	
Japan	41.0	0.5	2.1	5.1	5	295
Korea	1.0	0.5	0.2	0.1	—	—
Manchuria	11.8	1.4	0.6	0.3	—	—
	54.7	2.4	2.9	5.5	5	—
United Kingdom	232	12.9	7.8	11.8	481	856
Germany	158	6.3	15.3	19.1	298	380
Belgium	28	—	3.2	3.1	—	1
France	45	32.0	6.2	6.7	203	39
Italy	—	0.5	0.8	2.0	48	11
Czechoslovakia	12	0.8	1.1	1.5	11	—
U.S.A.	442	49.3	31.5	4.8.5	4,454	112

TABLE IV

Total Gross Tonnage, Shipping.
(Thousand tons.)

Japan	4,216
U.S.A.	12,475
Germany	3,718
Norway	4,054
United Kingdom	17,285

TABLE V

Census of Occupation. Japan, 1930.
(Thousands.)

Total population	64,067
Total occupied population	29,221
Unoccupied population	34,846
<hr/>	
Agriculture	14,156
Fishing	568
Mines	236
Industry	5,290
Commerce	4,463
Communications	1,108
Public service and liberal professions	2,031
Domestics	806
Others	561

TABLE VI

**Percentage of Total Factory¹ Workers Employed in the Various
Branches of Industry.**

(Total number of such workers—2 million), 1933.

Textiles	47.8
Metal industry	6.6
Manufacture of machines, tools, implements, etc.	13.1
Chemicals	8.6
Ceramics	3.8
Foodstuffs	7.5
Timber and wooden manufactures	3.5
Printing and bookbinding	2.8
Gas and electricity	0.4
Miscellaneous	5.9

¹ Enterprises employing 5 or more workers.

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