RECENT DEVELOPMENTS IN SINO-JAPANESE RELATIONS

By

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REPUBLIK INDONESIA

CHAPTER I

THE PRESENT STAGE OF SINO-JAPANESE RELATIONS

Realistic Approach to the Problem

SINCE the Manchurian Incident, Sino-Japanese relations have definitely entered a period which represents an entirely new development: whatever the true nature of the new relationship, it is at least a strained and serious one which requires incessant concentration on the part of the two parties. Unless each other's standing is clearly comprehended and the nature of the relationship distinctly determined, the two nations would not be able even to move a step. One might say that the two nations are standing face to face on the edge of a precipice.

It is idle to look towards such phrases as "the same race and the same culture" or "the good-will of neighbours," as has often been done in the past between the peoples of the two countries—phrases which now sound distinctly empty and superficial. This kind of superficiality is not only unnecessary but also injurious. Nothing is more important for the two nations than to have a precise understanding of each other as well as of oneself; especially of the footing on which they are standing. If the two nations are really standing on the brink of a precipice, even if one party imagines that she can cut through a safe path by the use of force, there would be no guaranty against her losing her standing and slipping off into an abyss at that moment.

Though it is not easy to know how the deadlock of the Sino-Japanese relations is to be overcome, yet in any case it is certain that its pre-requisite is none other than to know the other party, to know oneself, and to know the prevailing situations which are mutually confronted.

It is needless to say that the fundamental understanding of Sino-Japanese relations should have its nucleus in the clarification of various economic and social relations. It was by assuming this

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

approach that the Lytton Commission, which was sent by the League of Nations to investigate the state of affairs subsequent to the Manchurian and Shanghai Incidents, tried to comprehend the fundamental circumstances which led up to Sino-Japanese complications and thus to contribute to the solution of the problems. It is to be regretted, however, that this Commission, having had to complete the report in a very limited time, was unable to go very much further than mechanically arranging the materials submitted respectively by the two parties. Consequently, it must have been a mistake to try and find some way of solving concrete problems on the conclusions obtained from such a compilation. No one, however, would deny that the Commission made a valuable contribution towards making the world acknowledge the existence of complicated questions. In studying Sino-Japanese relations, let us also bar an idealistic method and adopt an economic and social approach.

The Manchurian Incident and Thereafter

The cause of the Manchurian Incident is, doubtless, to be attributed to the fact that whereas Japan, suffering like every other nation from the world-wide economic crisis, looked towards Manchuria and China for overcoming the difficulty and made serious efforts there, the conditions of China were such that China was unable to accept such a move on the part of Japan.

Since the death of Chang Tsuo-ling, order, which had hitherto been preserved by his primitive method, had come to be disturbed; devaluation of Manchurian currency together with the fall in the price of agricultural products was aggravating the peasant classes so much that the peasants themselves were being compelled from the depths of poverty to turn themselves into bandits. These conditions in the Three Eastern Provinces were contrary to Japan's interest; Japan, it has to be remembered, was accumulating tremendous capital for the development of Manchuria. In September, 1930, Chang Süeh-liang, the young master of the Three Eastern Provinces, was strengthening his relation with the Nanking Government under a close understanding with Chiang Kai-shek, and with regard to the railway problem which had vital bearings upon Japanese interests, he was eagerly pushing the scheme for the railways to surround the S.M.R. Attempts on the part of Japan to solve the complications through diplomatic chan-

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

nels were of no avail.

As regards the relation between Japan and the National Government, the latter was demanding the return of the settlements as an item in the movement for restoration of the national rights of China. Furthermore, the National Government enforced the new State tariff from January, 1931. Of the Mex. $ 64,000,000 increase in revenue to be realised by this revision, the amount to be borne by Japan was something like Mex. $ 15,000,000. This raise in tariff was principally a direct financial expediency; at the same time to a certain extent, it resulted in the protection of home industries. In addition, the great fall in world markets of the price of silver,[1] China's basic monetary metal, acted as an extraordinary stimulant for industrialists in China. One new enterprise followed another not only in the cotton industry in which a Sino-Japanese rivalry had been witnessed for some time, but in other light industries and miscellaneous goods industries, thus resulting in a violent competition between Japan and China. Shanghai was doubtless the prominent arena for this duel.

When studying Sino-Japanese relations, particular attention should, apart from such pure economic questions as described above, be paid to the existence of a demand of military and strategic character on the continent on the part of Japan. The course of developments following the Manchurian and Shanghai Incidents, which are called by the name of Sino-Japanese War, was perhaps inevitable. The independence of Manchoukuo and subsequent vicissitudes of Manchou-Japanese relations provisionally solved the question of Japan's economic demand on Manchuria for a market both for merchandise and for capital as well as for a source of raw-material supplies, and also Japan's political aspiration for a strategic foothold on the continent.

In spite of the obstinate protest on the part of China and the denial on the part of the World Powers of the fact that "Manchoukuo is a *fait accompli*" the situation seems to have already passed that stage and developed into the next. And this new stage seems to be represented most characteristically by the so-called "North China Problem." Following the proper order of things, let us observe first the changing phases of the superficial facts.

1. The price of silver quoted at London in February, 1931, was as low as 12 d.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

The first step of the recent stage in the development of Sino-Japanese relations was marked by the establishment of the Peiping Political Council under Huang Fu in May, 1933 and by the Tangku Truce to which he was a party.

The Wang Ching-wei Government at Nanking at first had for its motto "Resistance on one hand and negotiation on the other," but having then realized that "resistance" was difficult, it came to resort to "negotiation" in co-operation with Huang Fu of the North. Such achievements in 1934 as the restoration of through traffic on the Peiping-Mukden Railway (July 1st), establishment of customs stations along the Great Wall (June 3rd), and resumption of postal communications between Manchoukuo and China (January 1st, 1935), being the terms of settlement of the Truce, considerably contributed towards giving a new turn to the deadlock of Sino-Japanese relations. Side by side with these, consolidation of the loans which Japan had made to China was carried out. When things were turning towards such a trend, the publication in the Foreign Affairs Review of an article entitled "Enemy or Friend? Re-examination of Sino-Japanese Relations" was noteworthy as a kind of *ballon d'essai*. The author was Hsu Tao-lin, but it was rumoured that he wrote it in collaboration with Chen Pu-lei, a Kuomintang reviewer, in accordance with suggestions made by Chiang Kai-shek. It pointed out the errors made both by Japan and China after the Manchurian Incident, and maintained that as the both parties were to hold themselves responsible for the unsatisfactory situation, there was a dire need of readjusting diplomatic relations between the two nations.

Efforts were, indeed, made on the part of Japan too for the readjustment of diplomatic relations. The speech on diplomatic affairs made by Hirota, then Foreign Minister, in the Diet in January, 1935, was reasonable and gave a good impression to China. It led up to the two interviews carried out on January 29th: one between Ariyoshi, Japanese Minister to China, and Wang Ching-wei, President of the Executive Council; and the other, between Lieutenant-General Suzuki and Chiang Kai-shek. On February 2nd, Chiang Kai-shek gave the Central News Agency an account of the interview; on the 20th, Wang Ching-wei made a statement of his pro-Japan policy at a meeting of the Central Political Council;

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

and on the 27th, a resolution concerning the enforcement of the "People's Freedom of Carrying On Their Business" clause (meaning a restriction on anti-Japanese movement), included in the Constitution for the Period of Political Tutelage, was published. Then, there was Wang Chung-hui's visit to Japan. And so, under the slogan of "Sino-Japanese economic *rapprochement*," one saw the development of an atmosphere of Sino-Japanese friendship. As an active underlying factor on the part of China of this Sino-Japanese economic *rapprochement* doctrine, one must first of all mention China's economic difficulty. The aggravating agricultural crisis, together with the difficulty of the question of the rise in the price of silver, was jeopardizing the financial position of the Nanking Government. For this reason, China looked to Japan for some economic support, and at the same time, she hoped that Japan would collaborate with Great Britain and the United States in their economic assistance, or at least, not to assume an attitude against it. On the other hand, the anti-Japanese boycott movement, which was begun on a big scale after "September 18," had resulted in placing China herself in an aggravating economic situation,[2] for the purchasing power of the Chinese people was by no means so strong as to be able to shut out Japanese goods. It was, therefore, quite natural that restoration of ordinary economic and political relations with Japan was desired.

"*North China Problem*"

The efforts towards ameliorating Sino-Japanese relations by means of economic *rapprochement* which has thus been under way amidst extraordinary interest and expectation, were, however, to encounter a fatal obstacle on account of the successive eventualities which took place at a dazzling pace in North China since the summer of 1935. No sooner had the intricate situation been thought to have been cleared up by the so-called Ho-Umetsu Agreement of June 10th, than autumn was to come with its doomed destiny. The Farmers' Autonomous Movement played the role of lighting the fuse for deepening disorder in Peiping.

2. The consequences of the anti-Japanese boycott will be described later. It may, however, be exemplified by the case where a straw-hat, which can be bought for one yen if imported directly from Japan, costs five yen if imported via Hongkong.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

The ordinance of November 3rd for centralization of silver, included in the programme of reformation of the monetary system by the Nanking Government, was an incentive to foster among local potentialities an anti-Central Government atmosphere: it was thus that Yiu Yu-ken declared an independence in Tungchow on November 25th, and established the East Hopei Autonomous Council for the twenty-two provinces of the "War Zone." Then, on December 14th, the Nanking Government officially recognized the organization of the Hopei-Chahar Political Council headed by Sung Cheh-yuan. As regards the relationships between this Hopei-Chahar Political Council and the Nanking Government and Japan, respectively, they seem to be yet of so transitional and delicate a character that there is no way of defining them at the moment.

The North China problem indicates an important development in Japan's continental policy; and at the same time, it would be justifiable to say that it also represents a development which has been inevitable. Some people discern a similar force to that which caused the Manchurian Incident acting on it. It would be difficult, in any case, to find a fundamental solution for it so long as Sino-Japanese relations remain in their present state.

There is no doubt that the anomaly and difficulty of Sino-Japanese relations are felt today most acutely in the North China problem. The tension of these relations will still be greater in the future when the two countries have further dealings on such questions as the amalgamation of East Hopei and Hopei-Chahar, smuggling in North China, and autonomous movements of Inner-Mongolian peoples.

In the meantime Japan's diplomatic policy in dealing with the present stage of Sino-Japanese relations has gradually come to be shaped in the so-called Three Principles of Hirota, now Prime Minister.[3] The Three Principles may be summarized as follows: First, that China should abandon the policy of balancing one foreign power against another by relying upon the United States and European Powers; second, that China should respect the *de facto* existence of Manchoukuo; and last, that Japan and China should collaborate in adopting an expedient and effective policy against

3. Speech made by Hirota, then Foreign Minister, before the Lower House of the Japanese Diet on January 21st, 1936.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

the invasion of the Reds in China.

Between the two countries, however, no final agreement has as yet been reached as to these Three Principles.

Essential anomalies and antagonisms in Sino-Japanese relations can, may it be agreed, reach a satisfactory understanding only by means of clearly defining the economic relations of the two countries and also the relations between China and other Powers.

CHAPTER II

SINO-JAPANESE ECONOMIC RELATIONS

Foreign Competition in China

China demands that one of the principles with which to determine new Sino-Japanese relations should be Sino-Japanese equality.[4] It is natural that she should demand equality in relation to her international status, especially in view of the fact that she has for many years been seeking the abolition of unequal treaties. In reality, however, there seems to be no escape from the fact that there are essential differences between the economic and social positions of the two countries.

We need not elucidate at length on what kind of political and economic position China has internationally. It will suffice here to say that nearly the whole of her economic vitality is in the hands of the Great Powers. There is practically no branch of the important industries in China, such as industrial manufacturing, mining, shipping, and other big commercial organizations, which is not under the controlling hands of some of the Great Powers. The industrial products of these Powers have penetrated into the remote corners of agricultural villages of China. Besides, in the financial organization of China, too, the controlling power of foreign monopolistic capital predominates. The financial power

4. Equality is the first of the three principles which are said to have been informally proposed by Wang Chung-hui when he visited Japan in 1935, namely: (1) equality; (2) territorial security; and (3) diplomatic channels as the instrument through which the negotiations between the two countries should be effected.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

of foreign capital seeks to control the customs revenue and savings, and to monopolize the foreign exchange business. Inspite of formal and partial amelioration, various "Unequal Treaties" as represented by Leased Territories, Ceded Territories, Consular Jurisdictions, Customs Tariffs, etc. do still exist in China and the future prospect is that their importance will grow rather than diminish as they had for a period.

Japan today, on the other hand, has emerged as a capitalistic country; not only is she able to keep up with such advanced capitalistic countries as the United Kingdom and the United States, but she also enjoys, it must be admitted, a position superior to theirs on the Chinese mainland thanks to her propinquity and geographically advantageous position. The writer has once epitomized Japan's power of propulsion in her Continental Policy as follows[5]:

1. Japan's rapid development in recent years: A table indicating the comparative positions of Japan, Great Britain, and the United States will suffice here.

TABLE 1

Year	Index Number of Industrial Production			Index Number of Industrial Electric Power			Index Number of Value of Exports		
	Japan	United States	Great Britain	Japan	United States	Great Britain	Japan	United States	Great Britain
1913	100	100	100	100	100	100	100	100	100
1925	222	151	87	900	296	349	292	196	146
1929	297	170	99	2,450	400	464	312	211	139
1933	346	109	87	—	—	—	—	—	—

Apart from the items contained in the above table, the rapid progress in the rate of increase of population, the size of the mercantile marine, etc. have also been remarkable. This rapid progress must be regarded as one of the basic conditions in Japan's outward expansion.

2. The fact that Japan's status in the Far East has greatly been elevated: Japan has become a World Power; yet, a still more important fact is that she is in a special position as an important

5. Cf. "Japan's Power of Propulsion in her Chinese Policy and Its Limits," the "Chuo Koron" (Central Review), September, 1935.

PERPUSTAKAAN NASIONAL RI.
BAT. GENOOTSCHAP VAN K. EN W.
PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

Asiatic Power. Japan's economic relations with the continent of China are incomparably closer than those of Great Britain's or the United States'. It is true that the Chinese markets have important significance both for Great Britain and the United States, but the importance of the Chinese market for these countries is not so urgent as it is in the case of Japan. Hence, it is natural that Japan's activities should be more expressive than those of the other two countries.

3. Japan's desire to obtain a strategic hold on the Far Eastern continent.

4. Existence of the conditions which have kept the two greatest rivals of Japan on the continent of China on the defensive against Japan: This refers to the fundamental incompatibilities existing between Great Britain and the United States and to the world economic crisis which have made them concentrate upon their respective internal problems, etc.

5. Extraordinary development of China's economic crisis and the weakening of the National Government of China (Kuomin Chen Fu).

Three Power Economic Rivalry

To analyse the intricate phases of Sino-Japanese relations at the recent stage, comprehension of the economic and social situations is absolutely a pre-requisite.

Let us, now, examine the vicissitudes of Japanese trade with

TABLE 2

Year \ Country	Japan	Great Britain	United States
1913	20.88%	17.01%	6.14%
1920	28.64	16.47	17.90
1928	26.39	9.40	16.99
1929	25.22	9.30	18.02
1930	24.63	8.15	17.50
1931	20.04	8.29	22.15
1932	14.95	11.20	25.43
1933	9.71	11.30	22.86
1934	12.21	12.00	26.16
1935	15.03	10.48	18.93

N.B. Up to the first half of 1932, figures concerning Manchuria are also included.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

China in comparison with the relevant activities of Great Britain and the United States. Foregoing Table 2 indicates the percentages that Japan, Great Britain, and the United States occupy in China's aggregate amount of imports.

The decrease in Japan's trade after 1932 is chiefly to be attributed to the separation of Manchuria from China proper. It is true that the anti-Japanese movement has done a considerable amount of damage ; yet, the decrease of trade caused by the boycott has been made up by the increase of trade with Manchoukuo. The amount of smuggling[6] into China from Japan reaches figures that cannot be over-looked.

Directly before the Great War, Japan occupied the first place, with Great Britain second, and the United States a poor third. During the war, Japan and the United States having taken long strides, the latter has, since 1931, been remaining at the top, whereas the decline of Great Britain has been striking.

Let us direct our attention to Japan's investments of capital in China, in comparison with similar activities on the part of Great Britain and the United States, respectively.

TABLE 3

	1902		1914		1931		1934	
	Capital Invested	%	Capital Invested	%	Capital Invested	%	Capital Invested	%
Japan	1	—	220	13	1,137	35	1,410	40
Great Britain . .	260	33	608	38	1,189	37	1,202	34
United States . .	20	3	49	3	197	6	230	6

N.B. 1. Figures up to 1931 are reproduced from Remer, " Foreign Investments in China."
2. Figures in the above table include capital invested in Manchuria.

Here, also, Japan's rapid advance is to be perceived. Before the War in 1914, the position of Great Britain was incontestably superior, whereas the investments of Japan, which had already by that time made considerable progress as compared with that before the Sino-Japanese War, were no more than one third of that of Great Britain. Since then, Japan has not only caught up

6. The question of smuggling is dealt with on page 17.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

with Great Britain, but has even gone to the extent of outstripping her. The United States, although predominating in the sphere of trade, made a delayed start in the contest of investing capital in China.

Chinese Boycott of Japanese Goods

China's weapon against such inroads of foreign economic power has been the "boycott." No wonder this question drew serious attention from the Lytton Commission which stated at the beginning of Chapter VII of its Report:

> "No survey of the Sino-Japanese conflict would be accurate or complete without some account of another important factor in the struggle, namely the Chinese boycott of Japanese goods."

Except in the case of the Anti-British Strike of 1925–26 in Hongkong and Kwantung, the boycott has always been anti-Japanese. Up to today, it has been carried out no less than ten times.[6a] Here is ample evidence of how dangerous are the eventualities which might result from the present Sino-Japanese relations. It is mainly to be attributed to the national sentiments of the two countries; at the same time, we should not forget that Japan and China are now engaged in a competition in the Chinese markets as producers of light industry products of the same category.

Inasmuch as the organization of China's anti-Japanese goods movement has become more and more general and deep-rooted,[7]

6. a 1908 The Tatsu-Maru Incident;
1909 Antung-Mukden Railway Incident;
1915 The "Twenty-One Demands";
1919 The Chantung Question;
1923 Port Arthur and Dairen Recovery Question;
1925 May 30th Incident;
1927 Despatch of troops to Shantung;
1928 Tsinan Incident;
1931 The Manchurian Affair (Wanpaoshan and Mukden Events);
1935 The North China Question.

7. By generally mobilizing all the organizations throughout the country, anti-Japanese propaganda is carried out; and by organizing associations and establishing rules, demonstrations, picketing, inspection, confiscation, etc. are effected.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

are of international significance; and so far as Japan is concerned, they are problems of immediate importance meriting more than just passing attention.

With their main strength in the north-eastern parts of the Chiang-si Province, these Red Armies have always been antagonists of the Nanking Government.[11] Ever since the close of 1930, Chiang Kai-shek has devoted almost one-half of the expenditures of the Nanking Government[12] to the suppression of these Red Armies;[13] and it was only in the autumn of 1934 that finally after five campaigns he finally suceeded in driving their main body to the west.

The Red Armies, which had thus commenced a westward movement after having broken through the boundaries of nine provinces culminating a march extending 3,000 miles, joined Hsu Hsing-chien's army near Tienchuan in the western part of Szechwan Province in the middle of July, 1935. Mao Tse-tung's "Shensi Kansu Branch Army" which left Maoerkai towards the end of August, arrived in the north of Shensi via Kansu, and joined forces with the local Red Armies led by Lin Tse-tan, Hsu Hai-tung, and others.

The activities of this allied Red Army, which had crossed the frozen Yellow River in February, 1936, and invaded Shansi Province, were imminently menacing to North China then in the midst of a historical reformation. After the middle of February, when such important places as Yinhu, Shihlow, Chungyang, Lishih, Hsi-hsien, etc. in the Luliang Mountains in the western part of Shansi had been taken, the Army then approached Fengyang, an important point in the Fenshui Basin towards the beginning of March. Moreover, a part of it had spread itself over the plains in southern Shansi after having broken through a

11. The Provisional Government of the Soviet Republic of China has been in existence since December, 1931.

12. According to "The Financial Report for the 21st and 22nd Fiscal Years of the National Government of China," by H. H. Kung, Minister of Finance, the military costs occupy 50% of the aggregate government expenditures. In reality, however, the amount of military expenditures was even greater; and what is more, the greater part of that sum was expended on the suppression of the Red Armies.

13. Cf. "Suppressing Communist Banditry in China," by Ting Leang-li, Shanghai, 1934.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

southern part of the Tatung-puchow Railway. Although the main body of the invading army itself seems to have been repulsed from Shansi Province through the desperate efforts made by the Shansi and Nanking Government authorities, yet the primary object, of the invading army has been to obtain a permanent sphere of control over Kansu, Shensi, Shansi, and Shuiyuan.

At present, in addition to the Red Armies enumerated above, there is still another group under the leadership of Chuteh, Hsu Hsiang-chien, Chang Kuo-tao, etc. in the vicinity of Szechwan and Sikang. This group evidentally intends joining the group headed by Holung and Hiaoke in the western part of Sikang, the latter group having abandoned its old strongholds and scattered over the Sangchi and Tayung districts in the north of Hunan.

Chinese Red Policy Anti-Japanese

The new policy of the Chinese Communist Party may be stated as being the mobilization of a "United Anti-Japanese Army" and the establishment of a "People's Government of National Defense." The Communist Party which advocated an "Anti-Japanese United Front" in 1932 following the Shanghai Incident, rebuked Chiang Kai-shek in January of 1933 for not undertaking a firmer opposition against the Japanese offensive. It declared at that time that it was prepared to co-operate with any army having the same object of fighting the Japanese. The Seventh General Meeting of the Commintern emphasized in its resolutions the necessity of bolstering up the Soviet Movement in China and of launching an united front anti-imperialist movement, particularly against Japan, as well as against the pro-Japanese "running dogs" of China. The Anti-Japanese Manifesto of August 1st, 1935, issued jointly by the Communist Party and the Soviet Government of China may be identified as part of a movement in line with the foregoing principles.

The appearance of the Red Armies at the flanks of North China is an important problem for Japan. It gave, in effect, a kind of stimulant to the students' movement, which was begun last December in Peiping in opposition to the creation of the East Hopei Autonomous Government; and has also had no small influence in the rapid crystallization of an anti-Japanese undercurrent.

In its recent struggles with the Nanking Government, the banners of the Sinan Party bore the slogan "Anti-Japanese." Pro-

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

minent persons like Li Chi-sheng and Chen Ming-shu, involved in the Fukien Incident (November, 1933 to January, 1934) which was assumed to have important bearings upon the attitude of this South-Western section, and the leaders of the Nineteenth Route Army like Tsai Ting-kai and Chiang Kuang-nai are openly advocating collaboration with the Communist Party of China in organizing a "Revolutionary Association of the Chinese Races."

This nation-wide anti-Japanese feeling growing fast in the current of the racial movement revival in China combined with the activities of the Red Armies in North China constitute problems of the utmost importance to Japan. Although it is believed that there is an understanding, and some practical expediencies are under consideration between Japan and the Hopei-Chahar Political Council as regards the question of co-operation for defense against the Red Armies in North China, yet as far as Japan is concerned, the sphere of this problem is not limited to North China alone. The whole of China lies within its scope and here is where the significance of the third of the so-called "Hirota's Three Principles" lies.

Then Foreign Minister Hirota explained to the Diet as follows:

> "The Communist Movement is the greatest problem which China is facing, today. And the unsettled situations of the Far East are for this movement to take advantage of. To deliver China from the menacing hands of the Reds is a question important not only for our neighbour, but also for every nation concerned."[14]

Detailed explanations of the question are not given in the foregoing quotation, but it may be interpreted that the communist movement referred to is not confined to that carried on in China alone, but it means rather the Red Front which has the Soviet Union as its centre, and which seeks to establish a connected line through Sinkiang (Chinese Turkestan), Szechwan, Kansu, Shensi, Ningsha, Suiyan, Outer Mongolia, and finally Siberia.

So far as the menace of the Communist Movement is concerned, the Nanking Government stands on the same footing as Japan. There are reasons, however, why they cannot accept establishing a common front with Japan—reasons resulting from

14. Speech delivered before the Lower House of the Japanese Diet, January 21, 1936.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

differences in the social and economic organization of the two countries. This is apparent from the Sino-Japanese disagreement with respect to the so-called Three Principles.[15]

The Nanking Government, in short, is internally in an awkward position. Any practical realization of a common Sino-Japanese front against the Reds will have to await a more favourable development of the general state of affairs between the two nations. It is a question which belongs to the future.

CHAPTER IV

THE INFLUENCE OF THIRD POWERS ON SINO-JAPANESE RELATIONS

Sino-Japanese Relations and Third Parties

The multifarious phases and difficulties of Sino-Japanese relations are caused partly by the peculiarity of China's social and economic organization. The economic structure of China, therefore, is inevitably connected with her position in international politics. Not only does China offer important markets to the industrially advanced capitalistic Powers, but she also represents an important field of action for world stratagem in its broadest sense. It is well known that these Powers are seriously and actively formulating their respective policies towards China with these two points in mind. Hence the relations between Japan, which is one of these Powers, and China, which furnishes the arena of their activities, cannot remain a simple bilateral relation between two countries; they are constantly influenced by the changes in the relations between the other Powers and China. Sino-Japanese relations, therefore, may be considered in one aspect as the relations between Japan and the other Powers speaking through their activities in China.

These relations in China today are unfortunately competitive rather than collaborative, and moreover at present there appear to be no prospects of this tendency relaxing in the future, but on the

15. On March 22, the Ministry of Foreign Affairs of the Nanking Government issued a statement in retort to Hirota's aforementioned speech.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

contrary all present signs point to its becoming more intense[16] than ever. The comparative tables relating to trade and investments in China on the part of Japan, Great Britain, and the United States, respectively, to which the reader has already been referred, may facilitate the understanding of this general competitive position.

Great Britain is concentrating her whole energy on protecting the Mex. $ 4,000,000,000 which she has invested in China, and she has a powerful political, economic, and strategic foothold in South China. The construction of the Kwantung-Hankow Railway has been completed recently; and by its connection with the Canton-Kowloon Railway, it will add tremendously to her influence in South-West China.

The two most important policies of the United States with respect to China have been those of the "Open Door" and "Territorial Integrity." The "Open Door" which was first enunciated by John Hay, then Secretary of State for the United States, in his memorandum of 1899, was re-iterated at Washington in the Nine Power Treaty of 1922. The famous declaration of Secretary of State Stimson on January 7, 1932[17] during the rapid succession of developments following the Manchurian Incident, bears a strong resemblance to the memorandum of Secretary of State Bryan on May 13, 1915, directly after Japan's presentation of the "Twenty-one Points." The distinguishing feature of the American policy as compared with that of Great Britain's is that it is not based upon any specific territorial foundation. This fact has an inseparable connection with the amount of American investments in China which is insignificant with that of Great Britain's and also with America's supremacy in trade with China.

The emphasis laid by Great Britain and the United States on the Treaty for Renunciation of War during the early stage of the Manchurian Incident and upon the principle of respecting the League of Nations went far in formulating China's policy of putting her fate in the hands of the League, and hence it was the policies of these two nations which determined the nature of Sino-Japanese relations during a certain period which followed.

16. The present writer has already published an exposition of the concrete facts related to this point. See: "Competition Among the World Powers in China," in "Kokusai Hyoron" (The International Review), January, 1936.

17. The American Notes of January 7, 1932. Willoughby, "The Sino-Japanese Controversy and the League of Nations", p. 205 *et seq.*

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

It seems that since 1935, Great Britain has been endeavouring to stabilize Chinese markets by means of giving active financial support to the Nanking Government. Having been approached by China in the matter of loans at the end of the previous year, Great Britain proposed that Japan and the United States join her in extending a common loan to China. This proposition did not receive any too enthusiastic support from the United States, and Japan on her part opposed it. In September of 1935, Sir Frederick Leith-Ross arrived in Shanghai entrusted with a mission of protecting British rights in China. It is also said that China's monetary reorganization was made possible to no small degree by British support.

It is obvious that in view of China's economic crisis and the financial difficulty of the Nanking Government, the most effective and expedient policy towards the Nanking Government at the moment is to extend financial support. Most active in this respect has been Great Britain; while the United States which had a grave interest in the silver question greatly added to China's economic difficulties by her silver policy which boosted the silver quotations. The opinion which circulated among the silver producers and politicians of the United States, namely, that a rise in silver prices would ameliorate the economic position of China by adding to her purchasing power, has been proven to be a fallacy. A monetary agreement between the United States and China was recently signed whereby the United States intends to assist the latter economically by purchasing the silver coins which China has taken out of circulation. Thus the United States too has given every indication of giving active ecomomic support to China. This action on the part of the United States has given currency to a rumour that she and Great Britain are to collaborate in assisting China. Such a collaboration, however, is by no means a new departure; it is a policy which the two nations have often followed before and since the Washington Treaty.

The Japanese attitude in this respect is one which seems to have been expressed in an informal statement[18] given out by the Ministry of Foreign Affairs at the time of China's monetary reform. The unwavering policy of Japan as set forth in that statement is:

18. The Asahi Shimbun (Newspaper), November 10, 1935.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

1. In due consideration of Sino-Japanese relations in the politics of the Far East, China's economic problems should be dealt with only after consultation with Japan has adequately been carried out, and with Japan's collaboration.

2. Any economic reform requires China's own determination to carry it out. Foreign loans are bound to be future burdens on the Chinese people, and by making China's financial readjustment impossible, the inevitable result following will be to place China under international control.

After the Fifth Kuomintang Congress in November of 1935, the Chiang Kai-shek Ministry was formed, and Chang Chun became Minister of Foreign Affairs for China. Although it was then expected that a new turn in Sino-Japanese relations would be realized very shortly thereafter, no development has taken place in the approximately half-year period since then. It is believed, however, that the inertia will now be overcome by the new Japanese Foreign Minister Arita and Shigeru Kawagoe, new Japanese Ambassador to China. The latter has proceeded to his post with plans for a Sino-Japanese economic collaboration, and the Chinese Foreign Minister Chang Chun agrees that a light is now seen in the promotion of more amicable and closer relations between Japan and China.

June 28, 1936.

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